CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED

SEPTEMBER 30, 2019 AND 2018

(in thousands of United States Dollars unless stated otherwise)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of GoGold Resources Inc.

Opinion

We have audited the consolidated financial statements of GoGold Resources Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at September 30, 2019 and September 30, 2018
- the consolidated statements of operations and comprehensive income (loss) for the years then ended
- the consolidated statements of cash flows for the years then ended
- the consolidated statements of changes in equity for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at September 30, 2019 and September 30, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Douglas Reid, FCPA, FCA.

Halifax, Canada

December 11, 2019

GoGold Resources Inc

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of United States dollars)

	September 30 2019	September 30 2018
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 2,408**	$ 8,276
Marketable securities (Note 5)	**4,747**	-
Trade receivables	**3,272**	10
Input tax recoverable	**2,257**	3,879
Prepaid expenses	**227**	232
Inventories (Note 6)	**8,552**	6,324
	21,463	18,721
Non-current assets:		
Input tax recoverable	**8,048**	5,349
Deferred income taxes (Note 11)	**-**	1,890
Inventories (Note 6)	**18,251**	12,302
Property, plant and equipment (Note 7)	**24,625**	26,294
Exploration and evaluation assets (Note 8)	**12,355**	-
Total assets	**$ 84,742**	$ 64,556
LIABILITIES		
Current liabilities:		
Trade and other payables	**$ 6,159**	$ 3,818
Current portion of long-term obligation (Note 8)	**2,139**	-
	8,298	3,818
Non-current liabilities:		
Long-term obligation (Note 8)	**1,736**	-
Provision for site restoration (Note 9)	**1,348**	1,452
Derivative liability (Note 19(d))	**549**	352
Total liabilities	**11,931**	5,622
EQUITY		
Share capital (Note 10)	**147,914**	142,465
Contributed surplus	**7,974**	7,532
Accumulated other comprehensive loss	**(5,651)**	(5,523)
Deficit	**(77,426)**	(85,540)
Total equity	**72,811**	58,934
Total liabilities and equity	**$ 84,742**	$ 64,556

Commitments (Note 20)
Subsequent Event (Note 21)

Signed on behalf of the Board: *"Terry Cooper"* *Terry Cooper* *"George Waye"* *George Waye*

See accompanying notes to the consolidated financial statements.

GoGold Resources Inc

Consolidated Statements of Operations and Comprehensive Income (Loss)

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

For the year ended	**September 30 2019**	September 30 2018
Revenue from mining operations	**$ 26,972**	$ 21,016
Cost of sales:		
Production costs, except amortization and depletion	**19,508**	13,553
Amortization and depletion	**5,685**	5,122
Inventory net realizable value adjustment (Note 6)	**1,489**	12,726
Inventory write down (Note 6)	**-**	13,893
	26,682	45,294
General and administrative	**4,700**	4,134
Operating loss	**(4,410)**	(28,412)
Exploration (Note 8)	**(459)**	(241)
Finance costs	**(252)**	(762)
Foreign exchange loss	**(69)**	(140)
Fair market value adjustment on marketable securities (Note 5)	**3,215**	-
Gain on sale of royalty (Note 5)	**11,837**	-
(Loss) gain on derivative liability	**(197)**	112
Interest and dividend income	**339**	108
Impairment charge (Note 12)	**-**	(48,157)
	14,414	(49,080)
Income (loss) before income taxes from continuing operations	**10,004**	(77,492)
Current income tax recovery (Note 11)	**-**	15
Deferred income tax (expense) recovery (Note 11)	**(1,890)**	4,232
	(1,890)	4,247
Net income (loss) from continuing operations	**8,114**	(73,245)
Net income from discontinued operations (Note 13)	**-**	29,552
Net income (loss)	**8,114**	(43,693)
Other comprehensive income (loss):		
Foreign currency translation differences arising on translation of foreign subsidiaries which may subsequently be cycled through net income	**(128)**	(530)
Reclassification of foreign exchange loss on translation into net income due to discontinued operations	**-**	14,535
Total comprehensive income (loss) for the year	**$ 7,986**	$ (29,688)

Per share earnings (Note 10(e))

GoGold Resources Inc

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of United States dollars)

For the year ended	**September 30 2019**	September 30 2018
Cash provided by (used in) the following activities:		
Operating activities		
Net income (loss) for the year	**$ 8,114**	$ (43,693)
Items not involving cash:		
Amortization and depletion	**5,685**	5,122
Amortization of deferred financing fees and accretion	**116**	316
Deferred income taxes	**1,890**	(4,232)
Discontinued operations deferred income taxes	**-**	8,716
Fair market value adjustment on marketable securities	**(3,215)**	-
Foreign exchange loss	**69**	140
Gain on sale of assets (Note 5)	**(11,837)**	(52,803)
Loss (gain) on derivative liability	**197**	(112)
Impairment charge (Note 12)	**-**	48,157
Inventory net realizable value adjustment (Note 6)	**1,489**	12,726
Inventory write down (Note 6)	**-**	13,893
Reclassification of foreign exchange loss on translation from other comprehensive income	**-**	14,535
Share based compensation	**466**	273
	2,974	3,038
Net change in non-cash working capital (Note 16)	**(14,838)**	(19,540)
Net cash used in operating activities	**(11,864)**	(16,502)
Investing activities		
Exploration and evaluation expenditures (Note 8)	**(2,695)**	-
Net proceeds on sale of marketable securities (Note 5)	**4,582**	-
Net proceeds on sale of assets (Note 13)	**-**	76,770
Net proceeds on sale of royalty (Note 5)	**5,837**	-
Purchase of property, plant and equipment	**(1,806)**	(3,173)
Net cash provided by investing activities	**5,918**	73,597
Financing activities		
Proceeds from warrant exercises	**-**	523
Repayment of long term debt (Note 15)	**-**	(46,500)
Repayment of term loan (Note 14)	**-**	(7,500)
Net cash used in financing activities	**-**	(53,477)
Effect of exchange rate changes on cash and cash equivalents	**78**	52
Net (decrease) increase in cash and cash equivalents	**(5,868)**	3,670
Cash and cash equivalents, beginning of year	**8,276**	4,606
Cash and cash equivalents, end of year	**$ 2,408**	$ 8,276

GOGOLD RESOURCES INC

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, 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 10)	400,000		561		(38)		-		-		523
Stock-based compensation (Note 10)	-		-		273		-		-		273
Balance at September 30, 2018	171,776,481		142,465		7,532		(5,523)		(85,540)		58,934
Net income	-		-		-		-		8,114		8,114
Other comprehensive loss	-		-				(128)		-		(128)
DSU exercise (Note 10)	125,000		24		(24)		-		-		-
Shares issued, net of issuance costs (Note 10)	13,921,980		5,425		-		-		-		5,425
Stock-based compensation (Note 10)	-		-		466		-		-		466
Balance at September 30, 2019	**185,823,461**	**$**	**147,914**	**$**	**7,974**	**$**	**(5,651)**	**$**	**(77,426)**	**$**	**72,811**

See accompanying notes to the unaudited consolidated financial statements.

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 and the OTCQX market in the United States under the symbol GLGDF. 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 11, 2019.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for marketable securities and 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. Judgment 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, judgments 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 judgment 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 judgments 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.

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 the carrying amount exceeds the 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 judgment about the nature, cost and timing of the work to be 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. ('MDD')	Gold and silver exploration	Mexico	USD
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 Logistica Coanzamex S.A. de C.V.	Gold and silver production	Mexico	USD
GoGold Resources Inc.	Corporate support	Canada	CAD

All subsidiaries are 100% owned. MDD's functional currency changed on August 15, 2019, as a result of the acquisition of the Los Ricos project (Note 8), for which expenditures are predominantly denominated in USD.

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

The Corporation recognizes financial assets and financial liabilities on the date the Corporation becomes party to the contractual provisions of the instruments. A financial asset is derecognized either when the Corporation has transferred substantially all the risks and rewards of ownership of the financial assets or when cash flows expire. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

The Corporation classifies and measures financial assets and liabilities on initial recognition as described below:

- Cash and equivalents include cash, term deposits, treasury bills and money market investments with original maturities of less than 90 days and are classified as and measured at fair value through profit or loss.
- Trade receivables are classified as and measured at fair value through profit or loss using the effective interest method less any allowance for impairment.
- Marketable securities, including equity instruments, are designated as fair value through profit or loss and are recorded at fair value on settlement date, net of transaction costs. Subsequent to initial recognition, changes in fair value are recognized in income.
- Derivative financial instruments are recorded at fair value through profit or loss. Subsequent to initial recognition, changes in estimated fair value at each reporting date are recognized through profit or loss. 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 counterparty.
- Trade and other payables, term loans and long term debt are classified and measured at amortized cost. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

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:

- 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.

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 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) and 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 and silver contained in doré or precipitate is recognized when contracts with customers have been identified, performance obligations in the contract have been identified, transaction price is reasonably estimable, transaction price is allocated to the performance obligations in the contract, and performance obligation in the contract is satisfied. Generally, the performance obligations of the contract are met once shipments are received by the customer. Revenue 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.

4. ACCOUNTING CHANGES AND RECENT PRONOUNCEMENTS

a) Accounting changes

The Corporation adopted the following accounting standards during the year:

Financial Instruments ("IFRS 9")
The Corporation adopted IFRS 9, which replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"), beginning on October 1, 2018, the mandatory effective date. IFRS 9 includes a revised model for classifying financial assets, which results in classification according to a financial instruments' contractual cash flow characteristics and the business models under which they are held. The Corporation has adopted IFRS 9 on a modified retrospective basis in accordance with the transitional provisions of IFRS 9. As such, comparative figures have not been restated, and the adoption of the standard did not result in a change in carrying value of any of the Corporation's financial instruments upon transition.

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Corporation's financial statements.

(in thousands of United States dollars unless otherwise stated)

An equity investment that is held for trading is measured at fair value through profit or loss. For other equity investments that are not held for trading, the Corporation may irrevocably elect to designate them as fair value through other comprehensive income. This election is made on an investment-by-investment basis.

The Corporation's financial instruments are accounted for as follows under IFRS 9 as compared to the previous policy in accordance with IAS 39:

	IAS 39	IFRS 9
Assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Marketable securities	Available-for-sale	Fair value through profit or loss

	IAS 39	IFRS 9
Liabilities		
Trade and other payables	Other financial liabilities	Amortized cost
Derivative financial instruments	Fair value through profit or loss	Fair value through profit or loss

As a result of the adoption of IFRS 9, the Corporation's accounting policy for financial instruments has been updated, see note 2(c).

Revenue from Contracts with Customers ("IFRS 15")
The Corporation adopted IFRS 15 on October 1, 2018, the mandatory effective date, using the modified retrospective approach. IFRS 15 replaces 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*. Under the modified retrospective approach, the Corporation recognizes transition adjustments, if any, in retained earnings on the date of initial application (October 1, 2018), without restating the financial statements on a retrospective basis. Accordingly, the comparative information for prior periods have not been restated and the information presented for fiscal 2018 reflects the requirements of IAS 18, IAS 11, and the related interpretations.

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing 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, which the Corporation has used in reviewing its contracts with customers. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control requires judgment.

As a result of the adoption of IFRS 15, the Corporation's accounting policy for revenue recognition has been updated, see note 2(l). On adoption of IFRS 15, trade receivables increased by $305 and finished goods inventory decreased by $305. There were no material differences recognized on the adoption of this standard.

Amendments to Share-based Payments ("IFRS 2")
The Corporation adopted the amendments to IFRS 2, Share-based Payments, effective October 1, 2018, with no impact on the condensed consolidated interim financial statements.

b) Upcoming standards

Leases ("IFRS 16")
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

(in thousands of United States dollars unless otherwise stated)

permitted. Based on management's analysis completed to date, the estimated impact of adopting this standard will be an increase to property, plant and equipment assets of $2,200, and a corresponding increase in leasing liabilities.

5. MARKETABLE SECURITIES AND SALE OF ROYALTY

On November 7, 2018, the Corporation closed the sale of a 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 $163, resulted in net proceeds and an equivalent pre-tax gain of $11,837, of which the cash portion was $5,837. The Metalla shares were subject to a four month hold period, which expired on March 7, 2019.

At September 30, 2019, the market price of the Metalla shares was CAD $1.32, and the Corporation held 4,761,500 (2018 – Nil). The Corporation recognized a gain on the fair market value of marketable securities of $3,215 during the year ended September 30, 2019.

6. INVENTORIES

	September 30, 2019	September 30, 2018
Current:		
Supplies inventory	$ 1,341	$ 573
In process inventory	6,854	4,781
Finished goods inventory	357	970
	8,552	**6,324**
Long term:		
In process inventory	18,251	12,302
	$ 26,803	**$ 18,626**

The amount of inventory included in cost of sales was $26,682 (2018 – $45,294). As a result of changes to 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 $1,489 (2018 – $12,726), which included adjustments to amortization and depletion of $242 (2018 - $2,377). 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 at September 30, 2019 would result in a change in carrying value of $1,483.

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.

(in thousands of United States dollars unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT

Cost	Plant & Equipment	Mining Properties	Total
October 1, 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
Additions	1,780	393	2,173
Reclamation obligation adjustments	-	(150)	(150)
Foreign exchange adjustments	(5)	-	(5)
At September 30, 2019	**$ 47,940**	**$ 57,560**	**$ 105,500**

Accumulated Amortization and Impairment	Plant & Equipment	Mining Properties	Total
At October 1, 2017	$ 12,726	$ 11,737	$ 24,463
Amortization and depletion	2,974	1,602	4,576
Impairment losses (Note 13)	7,178	40,979	48,157
Disposals	(9)	-	(9)
Foreign exchange adjustments	1	-	1
At September 30, 2018	22,870	54,318	77,188
Amortization and depletion	3,610	81	3,691
Foreign exchange adjustments	(4)	-	1
At September 30, 2019	**$ 26,476**	**$ 54,399**	**$ 80,875**

Net Carrying Value	Plant & Equipment	Mining Properties	Total
At September 30, 2018	$ 23,295	$ 2,999	$ 26,294
At September 30, 2019	**$ 21,464**	**$ 3,161**	**$ 24,625**

For the year ended September 30, 2019, additions to amortization and depletion include amounts of $1,994 (2018 - $542) which are included in in process inventory.

8. EXPLORATION AND EVALUATION ASSETS

On March 25, 2019, the Corporation acquired the rights to an agreement which provided the option to acquire 100% of the concessions of the Los Ricos project (the "Option Agreement"). Los Ricos is comprised of 29 concessions located in Jalisco state, Mexico. As consideration, the Corporation made a cash payment of $523 on April 1, 2019, and monthly payments totaling $60. Expenditures for exploration activities on the project prior to acquisition of the Option Agreement totalling $459 were expensed, as the Corporation did not hold the legal rights to the concessions.

(in thousands of United States dollars unless otherwise stated)

On August 15, 2019, the Corporation acquired the 29 concessions and terminated the Option Agreement through various agreements (the "Concession Agreements"). Consideration for the Concession Agreements consisted of $500 in cash upon signing, $3,220 which is non-interest bearing and payable in monthly instalments over 24 months beginning on September 15, 2019, and 9,046,968 common shares of the Corporation to be delivered in equal instalments over 24 months beginning on September 15, 2019.

In addition to the Concession Agreements, the Corporation acquired the existing 2% net smelter return royalty, through an agreement (the "NSR Agreement"), on the Los Ricos project for cash consideration of $1,000, which is non-interest bearing and paid in equal instalments over 36 months beginning September 15, 2019, and 4,875,012 common shares of the Corporation to be delivered in equal instalments over 18 months beginning on September 15, 2019.

All common shares for the Concession Agreements and NSR Agreement were issued on August 15, 2019 in the name of the vendors and were held in escrow for benefit of the vendor and will be released to the vendors in line with the instalment schedule discussed above. The closing share price on that date was CAD $0.52 and the CAD:USD exchange rate was 1.331, providing a total share consideration value of $5,439.

A summary of the additions to the Los Ricos project for the year ended September 30, 2019:

	Cash paid	Remaining Obligation	Share Consideration	Total
Option Agreement	$ 583	$ -	$ -	$ 583
Concession Agreements	613	2,972	3,534	7,119
NSR Agreement	28	903	1,905	2,836
Drilling and exploration expenditures	1,817	-	-	1,817
Total	**$ 3,041**	**$ 3,875**	**$ 5,439**	**$ 12,355**

Drilling and exploration expenditures include $346 in trade and other payables at September 30, 2019.

The remaining obligations related to the Concession Agreements and NSR Agreement are recorded at the discounted amount based on estimated timing of payment and is being accreted to the principal amount over the estimated term using the effective interest method with an effective average interest rate of 5%. The Los Ricos concessions have been pledged as security for the remaining obligations. Following is a summary of the remaining obligation at September 30, 2019:

Current:	Principal	Fair Value Adjustment	Fair Value of Obligation
September 30, 2020	$ 2,193	$ (54)	$ 2,139
Long term:			
September 30, 2021	1,580	(114)	1,466
September 30, 2022	306	(36)	270
	1,886	(150)	1,736
Total	**$ 4,079**	**$ (204)**	**$ 3,875**

(in thousands of United States dollars unless otherwise stated)

9. 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 $2,065 (2018 - $2,147). The cash flows have been inflated at an annual rate of 3.0% (2018 – 5.0%), and discounted using a pre-tax risk-free rate of 6.9% (2018 – 7.9%).

	September 30, 2019	September 30, 2018
Provision, beginning of year	$ 1,452	$ 1,818
Accretion expense	115	125
Foreign exchange	(70)	(61)
Inflation and discount rate	(231)	(438)
Revision to estimate	82	8
Provision, end of year	**$ 1,348**	**$ 1,452**

10. 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, 2017	171,376,481	$ 141,904
Shares issued on exercise of warrants	400,000	561
Balance September 30, 2018	171,776,481	142,465
Shares issued on exercise of DSUs	125,000	24
Shares issued, net of issuance costs	13,921,980	5,425
Balance September 30, 2019	**185,823,461**	**$ 147,914**

On August 15, 2019, in connection with the Concession Agreements and NSR Agreement as discussed in Note 8, 13,921,980 shares were issued at a price of CAD $0.52, for total consideration after transaction costs of $5,425. At September 30, 2019, 13,274,189 of these shares were held in escrow for benefit of the vendor and will be released to the vendors in line with the instalment schedule discussed in Note 8. Subsequent to year end, 243,750 shares were issued between September 30, 2019 and December 11, 2019 – see Note 22 for details.

(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).

(in thousands of United States dollars unless otherwise stated)

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 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, 2019 and 2018 were as follows:

	September 30, 2019		September 30, 2018	
	Number of incentive options	Weighted average exercise price	Number of incentive options	Weighted average exercise price
Opening balance	4,365,000	CAD $ 0.96	3,965,000	CAD $ 1.15
Granted	4,225,000	0.28	1,025,000	0.45
Expired	(915,000)	1.28	(625,000)	1.35
Closing balance	7,675,000	CAD $ 0.55	4,365,000	CAD $ 0.96
Exercisable	2,506,667	CAD $ 1.00	2,255,000	CAD $ 1.19

The following table summarizes information concerning outstanding and exercisable incentive stock options at September 30, 2019:

	Outstanding		Exercisable	
Expiry date	Number of options	Exercise price (CAD $)	Number of options	Exercise price (CAD $)
December 23, 2020	1,625,000	1.20	1,625,000	1.20
March 27, 2022	820,000	0.75	546,667	0.75
March 27, 2023	1,005,000	0.45	335,000	0.45
December 28, 2023	3,050,000	0.22	-	-
March 29, 2024	825,000	0.40	-	-
June 21, 2024	300,000	0.45	-	-
August 27, 2024	50,000	0.70	-	-
	7,675,000	CAD $ 0.55	2,506,667	CAD $ 1.00

The compensation cost for the incentive stock options granted during the years ended September 30, 2019 and September 30, 2018 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	Aug. 27, 2019	Jun. 21, 2019	Mar. 29, 2019	Dec. 28, 2018	Mar. 27, 2018
Options granted	50,000	300,000	825,000	3,050,000	1,025,000
Exercise price	CAD $ 0.70	CAD $ 0.45	CAD $ 0.40	CAD $ 0.22	CAD $ 0.45
Risk-free rate	1.17%	1.40%	1.52%	1.93%	2.01%
Expected volatility of share price	60.10%	59.04%	55.98%	55.98%	56.26%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Expected life of each option	5 years	5 years	5 years	5 years	4.6 years
Weighted average grant date fair value	CAD $ 0.30	CAD $ 0.19	CAD $ 0.16	CAD $ 0.10	CAD $ 0.20

(in thousands of United States dollars unless otherwise stated)

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

(d) Deferred share units

The Corporation has 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. DSUs vest over a 3-year period from grant date.

The changes in DSUs for the year ended September 30, 2019 and September 30, 2018 were as follows:

	Sept. 30, 2019	Sept. 30, 2018
Opening balance	475,000	-
Granted	1,675,000	475,000
Exercised	(125,000)	-
Closing balance	2,025,000	475,000
Exercisable	150,000	-

Following is a summary of the DSUs outstanding at September 30, 2019:

Grant date	Number of DSUs	Market price at grant date	Compensation cost over 3-year vesting term	Unrecognized portion of compensation cost
March 27, 2018	450,000	CAD $ 0.425	$ 152	$ 36
December 28, 2018	1,450,000	0.215	252	126
June 21, 2019	100,000	0.395	30	25
August 27, 2019	25,000	0.620	12	12
	2,025,000	CAD $ 0.276	$ 446	$ 199

The Corporation has recorded total stock based compensation during the year ended September 30, 2019 of $466 (2018 - $273).

(e) 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 DSUs have been exercised on the later of the beginning of the period and the date granted. As of September 30, 2019, 4,625,000 options (2018 – 4,365,000) and Nil DSUs (2018 – Nil) were excluded from the computation of diluted loss per share because their effect would have been anti-dilutive.

	Sept. 30 2019	Sept. 30 2018
Weighted average number of shares outstanding	173,566,648	171,517,851
Per share amounts:		
Basic net income (loss) from continuing operations	$ 0.05	$ (0.43)
Basic net income from discontinued operations	-	0.17
Basic net income (loss)	0.05	(0.26)
Diluted weighted average number of shares outstanding	176,750,128	171,992,851

(in thousands of United States dollars unless otherwise stated)

Per share amounts:		
Diluted net income (loss) from continuing operations	$ 0.05	$ (0.43)
Diluted net income from discontinued operations	-	0.17
Diluted net income (loss)	0.05	(0.26)

11. 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, 2019	Year ended September 30, 2018
Resource properties	$ (1,014)	$ (418)
Non-capital loss carryforwards	8,156	6,382
Share issuance costs	51	181
Deferred financing fees	-	(225)
Marketable securities	(301)	-
Inventory	(7,610)	(4,481)
Derivative liabilities and other payables	718	451
	$ -	$ 1,890

The net change in deferred income taxes is reflected in deferred income tax expense of $1,890 (2018 – recovery of $4,232) and deferred income tax expense in discontinued operations of $Nil (2018 - $8,716.)

Deferred tax assets of $Nil (2018 – $1,890) are attributable to Canadian entities.

Non-capital losses totaling $35,828 (2018 - $29,335) have not been recognized in the consolidated financial statements. The non-capital losses noted above expire from 2022 to 2037.

Income taxes vary from the amount that would be computed by applying the basic Federal and Provincial tax rate of 31.0% (2018 – 31.0%) to income (loss) before taxes as follows:

	Year ended September 30, 2019	Year ended September 30, 2018
Income (loss) from continuing operations before taxes	$ 10,004	$ (77,492)
Computed expected (expense) recovery at 31%	$ (3,101)	$ 24,023
Foreign tax rate differential	37	(351)
Permanent differences	1,658	(4,246)
Effect of foreign exchange	(632)	(722)
Change in unrecognized temporary differences	148	(14,457)
Recorded income tax (expense) recovery	**$ (1,890)**	$ 4,247

12. 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.

(in thousands of United States dollars unless otherwise stated)

At September 30, 2019, there were no indicators of impairment.

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 at September 30, 2018 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 in 2018.

The discounted future cash flow valuation model used in impairment testing was 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 at September 30, 2018 included 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 have changed the recoverable amount by $13,584 on September 30, 2018. A 5% change in operating costs on September 30, 2018 would have resulted in a change of $8,760.

13. DISCONTINUED OPERATIONS

On September 5, 2017, the Corporation entered into an agreement with Agnico Eagle Mines Limited ("Agnico") to sell the Santa Gertrudis project. The operational results from Santa Gertrudis were classified as discontinued operations for the nine months ended June 30, 2018. 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, which was later sold as per Note 3.

Following are the results of discontinued operations for the year ended September 30, 2018. There were no discontinued operations in the year ended September 30, 2019.

	Year ended September 30, 2018
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**

(in thousands of United States dollars unless otherwise stated)

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. In December 2017, the final claims were abandoned resulting in a conclusion that the project had 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 ended September 30, 2018.

The consolidated statement of cash flows for the year ended September 30, 2018 includes $76,770 of cash flow from investing activities attributed to discontinued operations.

14. 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).

15. 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.

16. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash operating working capital:

	Year ended September 30, 2019	Year ended September 30, 2018
Trade receivables	$ (2,956)	$ 747
Input tax recoverable	(1,575)	(1,994)
Prepaid expenses	-	(12)
Inventory	(11,963)	(7,912)
Trade and other payables	1,656	(10,354)
Income taxes payable	-	(15)
	$ (14,838)	**$ (19,540)**

17. RELATED PARTY TRANSACTIONS

Compensation to directors and officers of the Corporation:

	Year ended September 30, 2019	Year ended September 30, 2018
Directors' fees	$ 265	$ 194
Share-based expense for directors	148	51
Key management short-term benefits	1,301	1,383
Share-based expense for key management	229	135

(in thousands of United States dollars unless otherwise stated)

Non-director or officer compensation expense of $1,657 (2018 - $1,860) is included in production costs for the year.

18. 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 considers the Parral project and the Los Ricos project as the Mexico segment, the Corporation's corporate offices as the Canadian segment, and the Santa Gertrudis and San Diego properties as discontinued operations.

The following table presents information about reportable segments:

	Mexico	Canada	Continuing Operations	Discontinued Operations	Total
For the year ended September 30, 2019:					
Amortization and depletion	$ 5,685	$ -	$ 5,685	$ -	$ 5,685
Segment net (loss) income	(3,653)	11,767	8,114	-	8,114
Expenditures on non-current assets	4,501	-	4,501	-	4,501
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
Reportable segment assets (September 30, 2019)	$ 78,563	$ 6,179	$ 84,742	$ -	$ 84,742
Reportable segment liabilities (September 30, 2019)	11,103	828	11,931	-	11,931
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

Included in segment net income in Canada for the year ended September 30, 2019 are foreign exchange gains of $272 (2018 – losses of $1,594).

19. 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 on a recurring basis.

	September 30, 2019		September 30, 2018	
	Level 1	Level 2	Level 1	Level 2
Marketable securities	$ 4,747	-	-	-
Derivative liabilities	-	$ 549	-	$ 352

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.

(in thousands of United States dollars unless otherwise stated)

(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, should the need arise. 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, 2019	September 30, 2018
Shareholders' equity	$ 72,811	$ 58,934
Less: cash	(2,408)	(8,276)
	$ 70,403	$ 50,658

(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 $54 and value added tax from the Federal Government of Mexico of $10,250. Exposure on trade receivables is limited as all receivables are with one customer who the Corporation has strong working relationships with and is a reputable large international company 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, 2019, GoGold Resources Inc. had net monetary assets in US dollars of $81 (September 30, 2018 – $7,047), for which a 10% change in US exchange rates would change net income by approximately $8. At September 30, 2019, the Corporation had net monetary assets in Mexican Pesos of approximately $4,868 (September 30, 2018 – $6,255), for which a 10% change in Mexican Peso exchange rates would change net income by approximately $487.

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

(in thousands of United States dollars unless otherwise stated)

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, 2019, the Corporation had cash balances of $2,408, marketable securities of $4,747, input tax recoverable of $2,257, and trade receivables of $3,272 for settling current liabilities of $8,298, 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 average market silver price, with payments continuing until tailings are completely mined. As the monthly royalty payment increases based on the average market 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, 2019 of $17.26 (September 30, 2018 - $14.31), as well as the historical volatility of silver market prices. The fair value of the liability under this method at September 30, 2019 was $549 (September 30, 2018 - $352).

20. COMMITMENTS

The Corporation has the following minimum annual commitments for the next five years:

	2020	2021	2022	2023	2024
Corporate office rent	$ 39	$ 39	$ 39	$ 11	$ -
Minimum royalty and land payments – Parral	1,006	1,006	1,006	1,006	606
Parral processing equipment obligations	318	-	-	-	-
	$ 1,363	$ 1,045	$ 1,045	$ 1,017	$ 606

21. SUBSEQUENT EVENT

On October 4, 2019, the Corporation entered into commitments with external consultants to act as a liaison with local concession holders in the Corporation's ongoing program of consolidation of concessions along the Los Ricos project's mineral trend. In addition, the consultants will provide environmental services, community relations, and aide in Ejido negotiation. As consideration for these services, the Corporation made a payment of $160 on signing, and will make payments of 81,250 common shares and $25 per month for four years, contingent on the consultants providing the agreed upon services.