



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED

JUNE 30, 2021

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



SILVER & GOLD

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited – in thousands of United States dollars)

	<u>June 30</u> <u>2021</u>	<u>September 30</u> <u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 73,454	\$ 52,626
Trade receivables	4,817	4,768
Input tax recoverable	7,614	6,842
Prepaid expenses	615	286
Inventories (Note 3)	<u>9,488</u>	<u>9,205</u>
	95,988	73,727
Non-current assets:		
Input tax recoverable	7,118	4,525
Inventories (Note 3)	21,166	16,867
Property, plant and equipment (Note 4)	61,652	66,041
Exploration and evaluation assets (Note 5)	<u>38,350</u>	<u>21,939</u>
Total assets	<u>\$ 224,274</u>	<u>\$ 183,099</u>
LIABILITIES		
Current liabilities:		
Trade and other payables	\$ 9,059	\$ 6,124
Current portion of long-term obligations (Note 6)	960	1,952
Current portion of onerous contract provision (Note 7)	<u>410</u>	<u>-</u>
	10,429	8,076
Non-current liabilities:		
Long-term obligations (Note 6)	995	1,562
Onerous contract provision (Note 7)	3,054	-
Provision for site restoration	1,828	1,434
Derivative liability (Note 11(d))	<u>1,259</u>	<u>1,198</u>
Total liabilities	<u>17,565</u>	<u>12,270</u>
EQUITY		
Share capital (Note 8)	226,697	202,356
Contributed surplus	9,736	8,881
Accumulated other comprehensive loss	(2,852)	(6,130)
Deficit	<u>(26,872)</u>	<u>(34,278)</u>
Total equity	<u>206,709</u>	<u>170,829</u>
Total liabilities and equity	<u>\$ 224,274</u>	<u>\$ 183,099</u>

Commitments (Note 12)

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



SILVER & GOLD

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

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

	Three months ended		Nine months ended	
	June 30 2021	June 30 2020	June 30 2021	June 30 2020
Revenue from mining operations	<u>\$ 14,973</u>	<u>\$ 7,886</u>	<u>\$ 42,282</u>	<u>\$ 25,792</u>
Cost of sales:				
Production costs, except amortization and depletion	<u>7,501</u>	<u>5,695</u>	<u>21,823</u>	<u>19,652</u>
Amortization and depletion	<u>1,253</u>	<u>706</u>	<u>3,367</u>	<u>2,743</u>
	<u>8,754</u>	<u>6,401</u>	<u>25,190</u>	<u>22,395</u>
General and administrative expense	<u>2,009</u>	<u>1,231</u>	<u>5,454</u>	<u>3,668</u>
Loss on onerous contract provision	<u>3,464</u>	<u>-</u>	<u>3,464</u>	<u>-</u>
Operating income (loss)	<u>746</u>	<u>254</u>	<u>8,174</u>	<u>(271)</u>
Finance and accretion costs	<u>(73)</u>	<u>(92)</u>	<u>(238)</u>	<u>(302)</u>
Foreign exchange (loss) gain	<u>(170)</u>	<u>85</u>	<u>(650)</u>	<u>(1,258)</u>
Fair market value gain on marketable securities	<u>-</u>	<u>-</u>	<u>-</u>	<u>280</u>
(Loss) gain on derivative liability	<u>(135)</u>	<u>(273)</u>	<u>(61)</u>	<u>44</u>
Interest and dividend income	<u>70</u>	<u>28</u>	<u>181</u>	<u>52</u>
	<u>(308)</u>	<u>(252)</u>	<u>(768)</u>	<u>(1,184)</u>
Net income (loss)	<u>438</u>	<u>2</u>	<u>7,406</u>	<u>(1,455)</u>
Other comprehensive income (loss):				
Foreign currency translation differences which may subsequently be cycled through net income	<u>396</u>	<u>603</u>	<u>3,278</u>	<u>(467)</u>
Total comprehensive income (loss) for the period	<u>\$ 834</u>	<u>\$ 605</u>	<u>\$ 10,684</u>	<u>\$ (1,922)</u>
Net income (loss) per share (Note 8 (f))				
Basic	<u>\$ 0.002</u>	<u>\$ 0.000</u>	<u>\$ 0.028</u>	<u>\$ (0.007)</u>
Diluted	<u>\$ 0.002</u>	<u>\$ 0.000</u>	<u>\$ 0.027</u>	<u>\$ (0.007)</u>

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



SILVER & GOLD

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited – in thousands of United States dollars)

	Three months ended		Nine months ended	
	<u>June 30</u> <u>2021</u>	<u>June 30</u> <u>2020</u>	<u>June 30</u> <u>2021</u>	<u>June 30</u> <u>2020</u>
Cash provided by (used in) the following activities:				
Operating activities				
Net income (loss) for the period	\$ 438	\$ 2	\$ 7,406	\$ (1,455)
Items not involving cash:				
Amortization and depletion	1,253	706	3,367	2,743
Accretion	56	82	191	285
Foreign exchange loss (gain)	170	(85)	650	1,258
Loss (gain) on derivative liability	135	273	61	(44)
Loss on onerous contract provision	3,464	-	3,464	-
Fair market value gain on marketable securities	-	-	-	(280)
Stock based compensation	504	294	1,270	771
	<u>6,020</u>	<u>1,272</u>	<u>16,409</u>	<u>3,278</u>
Change in non-cash operating working capital (Note 9)	<u>(3,306)</u>	<u>(749)</u>	<u>(4,570)</u>	<u>(42)</u>
Net cash provided by operating activities	<u>2,714</u>	<u>523</u>	<u>11,839</u>	<u>3,236</u>
Investing activities				
Exploration and evaluation expenditures (Note 5)	(5,291)	(1,887)	(13,134)	(5,686)
Net proceeds on sale of marketable securities	-	-	-	5,041
Purchase of property, plant and equipment (Note 4)	(197)	(174)	(361)	(2,167)
Net cash used in investing activities	<u>(5,488)</u>	<u>(2,061)</u>	<u>(13,495)</u>	<u>(2,812)</u>
Financing activities				
Net proceeds on equity issuance (Note 8)	21,964	(171)	21,964	17,244
Proceeds on stock option exercises (Note 8)	3	-	507	-
Proceeds on warrant exercises (Note 8)	-	47	-	47
Payments of leases (Note 6)	(9)	(10)	(428)	(427)
Payments of long-term obligations (Note 6)	(421)	(413)	(1,258)	(1,770)
Net cash provided by (used in) financing activities	<u>21,537</u>	<u>(547)</u>	<u>20,785</u>	<u>15,094</u>
Effect of exchange rate changes on cash	<u>(44)</u>	<u>466</u>	<u>1,699</u>	<u>(398)</u>
Net increase (decrease) in cash and cash equivalents	18,719	(1,619)	20,828	15,120
Cash and cash equivalents, beginning of period	<u>54,735</u>	<u>19,147</u>	<u>52,626</u>	<u>2,408</u>
Cash and cash equivalents, end of period	<u>\$ 73,454</u>	<u>\$ 17,528</u>	<u>\$ 73,454</u>	<u>\$ 17,528</u>

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



SILVER & GOLD

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited – in thousands of United States dollars)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Surplus (Deficit)	Total equity
Balance at October 1, 2019	185,823,461	\$ 147,914	\$ 7,974	\$ (5,651)	\$ (77,426)	\$ 72,811
Net loss	-	-	-	-	(1,455)	(1,455)
Other comprehensive loss	-	-	-	(467)	-	(467)
Shares issued, net of issuance costs (Note 8)	36,526,785	15,557	-	-	-	15,557
Stock-based compensation (Note 8)	-	-	771	-	-	771
Warrants exercised (Note 8)	75,250	57	(11)	-	-	46
Warrants issued (Note 8)	-	-	2,113	-	-	2,113
Balance at June 30, 2020	222,425,496	163,528	10,847	(6,118)	(78,881)	89,376
Balance at September 30, 2020	264,166,788	202,356	8,881	(6,130)	(34,278)	170,829
Net income	-	-	-	-	7,406	7,406
Other comprehensive income	-	-	-	3,278	-	3,278
Options exercised	1,130,579	1,088	(581)	-	-	507
Stock-based compensation (Note 8)	-	-	1,436	-	-	1,436
Shares issued, net of issuance costs (Note 8)	12,200,000	23,253	-	-	-	23,253
Balance at June 30, 2021	277,497,367	\$ 226,697	\$ 9,736	\$ (2,852)	\$ (26,872)	\$ 206,709

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended June 30, 2021 and 2020

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

1. NATURE OF OPERATIONS

GoGold Resources Inc. (the “Corporation”) is a company domiciled in Canada. The address of the Corporation’s registered office is #1301-2000 Barrington Street, Cogswell Tower, Halifax, Nova Scotia, B3J 3K1. The Corporation’s common shares are listed on the Toronto Stock Exchange trading under the symbol GGD 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 silver and gold in Mexico.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements are prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”).

These condensed consolidated interim financial statements do not include all disclosures required by International Financial Reporting Standards (“IFRS”) for annual consolidated financial statements and accordingly should be read in conjunction with the Corporation’s audited consolidated financial statements for the year ended September 30, 2020 prepared in accordance with IFRS.

These condensed consolidated interim financial statements were approved by the directors of the Corporation on August 11, 2021.

Except as described below, these condensed consolidated interim financial statements were prepared using the same accounting policies and methods of computation and are subject to the same use of estimates and judgments, as the Corporation’s consolidated financial statements for the year ended September 30, 2020.

Onerous Contracts

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted. The Corporation elected to adopt the amended standard prospectively effective October 1, 2020. There was no impact in any period prior to April 2021, as the Corporation did not have any onerous contracts prior to that date.

The Corporation amended its Off-Take Agreement on April 29, 2021 (see Note 7 for additional details). The unavoidable costs directly related to meeting the obligations in the new Off-Take Agreement are expected to exceed the associated expected future net benefits; consequently, an onerous contract provision has been recognized. The calculation of this provision involves the use of estimates including, but not limited to, future silver and gold prices, future operating and capital costs, production and recovery rates, and discount rates. These actual results can vary significantly from these estimates with consequent variability in the amounts of the provision recorded. The onerous contract provision is calculated by taking the expected future costs that will be incurred directly related to the contract and deducting the estimated revenues.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended June 30, 2021 and 2020

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

3. INVENTORIES

	<u>June 30, 2021</u>	<u>September 30, 2020</u>
Current:		
Supplies inventory	\$ 1,279	\$ 1,169
In process inventory	7,688	7,408
Finished goods inventory	521	628
	<u>9,488</u>	<u>9,205</u>
Long term:		
In process inventory	21,166	16,867
	<u>\$ 30,654</u>	<u>\$ 26,072</u>

The amount of inventory included in cost of sales for the three months ended June 30, 2021 was \$8,754 (2020 – \$6,401) and for the nine months ended was \$25,190 (2020 – \$22,395). An assessment of the net realizable value of in process inventory was completed, and no adjustments were required, at June 30, 2021.

4. PROPERTY, PLANT AND EQUIPMENT

Cost	<u>Plant & Equipment</u>	<u>Mining Properties</u>	<u>Total</u>
At September 30, 2020	\$ 49,882	\$ 59,613	\$ 109,495
Additions	334	27	361
Disposals	(14)	-	(14)
Reclamation obligation adjustments	-	185	185
At June 30, 2021	<u>\$ 50,202</u>	<u>\$ 59,825</u>	<u>\$ 110,027</u>
Accumulated Amortization and Impairment	<u>Plant & Equipment</u>	<u>Mining Properties</u>	<u>Total</u>
At September 30, 2020	\$ 23,960	\$ 19,494	\$ 43,454
Amortization and depletion	2,124	2,811	4,935
Disposals	(14)	-	(14)
At June 30, 2021	<u>\$ 26,070</u>	<u>\$ 22,305</u>	<u>\$ 48,375</u>
Net Carrying Value	<u>Plant & Equipment</u>	<u>Mining Properties</u>	<u>Total</u>
At September 30, 2020	\$ 25,922	\$ 40,119	\$ 66,041
At June 30, 2021	<u>\$ 24,132</u>	<u>\$ 37,520</u>	<u>\$ 61,652</u>

For the three and nine months ended June 30, 2021, amortization and depletion of \$549 (2020 - \$57) and \$1,568 (2020 - \$223) were capitalized to in process inventory. Right of use assets are included in the above amounts, and are shown in the following table:

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended June 30, 2021 and 2020

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

Right of Use Assets	<u>Plant & Equipment</u>	<u>Mining Properties</u>	<u>Total</u>
Net Carrying Value – September 30, 2020	\$ 76	\$ 1,694	\$ 1,770
Net Carrying Value – June 30, 2021	50	1,559	1,609
Amortization and depletion expensed	26	135	161

5. EXPLORATION AND EVALUATION ASSETS

The Corporation's exploration and evaluation assets consist of the Los Ricos property which is split into two projects, the Los Ricos South project and the Los Ricos North project, which are approximately 25km apart.

A summary of the additions to the Los Ricos projects for the nine months ended June 30, 2021 are as follows:

	LOS RICOS NORTH			LOS RICOS SOUTH			TOTAL		
	Cash Settled	Share Settled	Total	Cash Settled	Share Settled	Total	Cash Settled	Share Settled	Total
At October 1, 2020	\$ 5,919	\$ 1,767	\$ 7,686	\$ 9,862	\$ 4,391	\$ 14,253	\$ 15,781	\$ 6,158	\$ 21,939
Concession requirements	873	-	873	662	104	766	1,535	104	1,639
Drilling, exploration and consulting	12,286	83	12,369	1,134	1,269	2,403	13,420	1,352	14,772
At June 30, 2021	\$ 19,078	\$ 1,850	\$ 20,928	\$ 11,658	\$ 5,764	\$ 17,422	\$ 30,736	\$ 7,614	\$ 38,350

Cash-settled consideration includes amounts capitalized to exploration and evaluation assets which have been or will be settled in cash, while share-settled consideration includes amounts which are settled by the issuance of common shares of the Corporation, including a portion of stock based compensation. Cash-settled consideration includes \$2,192 (September 30, 2020 - \$557) in trade and other payables at June 30, 2021.

Commitments

The Corporation has agreements 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 projects mineral trend. In addition, the consultants provide environmental services, community relations, and aide in surface rights negotiations. As consideration for these services, the Corporation is making payments of 81,250 common shares and \$25 per month for four years, contingent on the consultants providing the agreed upon services, until October 2023.

The Corporation has entered into multiple option agreements for certain concessions within the Los Ricos projects. During the term of the option agreements the Corporation has exclusive exploration and drilling rights on the concessions, and the Corporation has the right to terminate the agreements at any point with no further payment. The rights to the concessions transfer to the Corporation after completion of payments of the option agreement. Details of the remaining payments required related to these option agreements are provided in Note 6.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended June 30, 2021 and 2020

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

6. LONG TERM OBLIGATIONS

Details of the payments during the period, accretion, foreign exchange, and the remaining long term obligations at June 30, 2021 along with the total annual payments are provided below:

	<i>Concession & NSR</i>		<i>Leases</i>		<i>Total</i>	
	Principal	Discounted Amount	Principal	Discounted Amount	Principal	Discounted Amount
At September 30, 2020	\$ 1,886	\$ 1,824	\$ 2,279	\$ 1,690	\$ 4,165	\$ 3,514
Principal paid	(1,270)	(1,270)	(419)	(419)	(1,689)	(1,689)
Accretion	-	48	-	82	-	130
At June 30, 2021	\$ 616	\$ 602	\$ 1,860	\$ 1,353	\$ 2,476	\$ 1,955
Current:						
June 30, 2022	\$ 560	\$ 547	\$ 440	\$ 413	\$ 1,000	\$ 960
Long term:						
June 30, 2023	56	55	420	350	476	405
Subsequent to June 30, 2026	-	-	1,000	590	1,000	590
	56	55	1,420	940	1,476	995
Total	\$ 616	\$ 602	\$ 1,860	\$ 1,353	\$ 2,476	\$ 1,955

(a) Concession Agreement and NSR Agreement

On August 15, 2019, the Corporation acquired 29 concessions at Los Ricos 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 ending on September 15, 2021, and 9,046,968 common shares of the Corporation to be delivered in equal instalments over 24 months ending on September 15, 2021.

In addition to the Concession Agreements, the Corporation acquired an 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 ending on September 15, 2022, and 4,875,012 common shares of the Corporation to be delivered in equal instalments over 18 months which ended on March 15, 2021.

The remaining obligations related to the Concession Agreements and NSR Agreement, are recorded at the discounted amount based on estimated timing of payment and are 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.

(b) Lease obligations

The Corporation has recorded a lease obligation related to the land for the Parral project, which provides the Corporation the use of the land where the Parral heap leach and processing facilities are located until February 2028, with the Corporation’s option to extend until February 2033, which the Corporation intends to exercise. Annual payments of \$400 are required to be made until 2023, with an additional \$500 per year to be paid in 2028 and 2029 to extend the lease until February 2033. The lease is non-interest bearing and discounted using the effective interest method with an effective average interest rate of 5%. There are no restrictions or covenants included in the land lease.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended June 30, 2021 and 2020

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

The Corporation also recorded a lease obligation for the rental of the corporate office in Halifax, which is an annual obligation of \$39, paid monthly, until 2022, which is non-interest bearing and discounted using the effective interest method with an effective average interest rate of 5%. There are no restrictions or covenants included in the office lease.

The Corporation had no short-term leases nor low-value leased assets in the three and nine months ending June 30, 2021.

7. ONEROUS CONTRACT PROVISION

The Corporation has an off-take agreement (“Off-Take Agreement”) which was amended on April 29, 2021. Prior to the amendment, minimum quantities representing substantially all of the production of the Parral project was subject to the Off-Take Agreement, whereby the selling price for gold and silver was based on the respective market prices for the commodities using the lowest quoted market price over a certain period of time prior to and following the respective transaction date. Historically, this arrangement resulted in an average of approximately 3.6% lower realized prices for gold and silver as compared to spot market pricing over the life of the Off-Take Agreement prior to amendment.

Under the amended and restated Off-Take Agreement, the Corporation has agreed to sell to the counterparty 2.4% of all the refined gold and refined silver produced (“Off-Take Ounces”) at Parral over the remaining life of the operation at a price equal to 30% of the prevailing market price.

As the Off-Take Ounces will be sold at a 30% discount to the prevailing market price, the estimated unavoidable direct cost of meeting the obligations of the Off-Take Agreement exceeds the associated expected future net benefits; consequently, an onerous contract provision has been recognized. The calculation of this provision involves the use of estimates including, but not limited to, future silver and gold prices, future operating and capital costs, production and recovery rates, and discount rates. These actual results can vary significantly from these estimates with consequent variability in the amounts of the provision recorded. The onerous contract provision is calculated by taking the expected future costs that will be incurred under the contract and deducting any estimated revenues. The onerous contract provision recorded on April 29, 2021 as a result of the amended Off-Take Agreement was \$3,464. Future changes in the estimate of the provision will be recorded in earnings each period. As at June 30, 2021, the total provision was unchanged at \$3,464, of which \$410 is current.

8. 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, 2019	185,823,461	\$ 147,914
Shares issued to consultants in exchange for services	812,500	428
Shares issued, net of issuance costs	35,714,285	15,129
Shares issued on exercise of Warrants	75,250	57
Balance June 30, 2020	222,425,496	\$ 163,528
Balance October 1, 2020	264,166,788	\$ 202,356
Shares issued to consultants in exchange for services and agreements	700,000	1,289
Shares issued, net of issuance costs	11,500,000	21,964
Shares issued on exercise of options	1,130,579	1,088
Balance June 30, 2021	277,497,367	\$ 226,697

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended June 30, 2021 and 2020

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

On February 25, 2020, the Corporation closed a bought deal whereby a syndicate of underwriters purchased 35,714,285 units at a price of \$0.70 CAD per unit, with each unit consisting of one common share of the Corporation and one half-warrant. The common shares were valued at \$0.62 CAD per share and the half-warrants were valued at \$0.08 CAD. The net proceeds for the equity financing were \$17,244 while the net proceeds attributed to the common shares, after share issuance costs of \$1,571, were \$15,129.

On May 7, 2021, the Corporation closed a bought deal whereby a syndicate of underwriters purchased 11,500,000 common shares at a price of \$2.50 CAD per share for net proceeds of \$21,964 after share issuance costs of \$1,739.

During the nine months ended June 30, 2021, the Corporation issued 650,000 common shares (2020 – 812,500) valued at \$1,185 (2020 - \$428) to consultants in exchange for services received related to the Los Ricos projects (Note 5), and the Corporation issued 50,000 common shares (2020 – nil) valued at \$104 (2020 – nil) related to concession option agreements at Los Ricos.

(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 is 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. The Plan provides the ability to exercise options on a cashless basis. 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 nine months ended June 30, 2021 and 2020 were as follows:

	June 30, 2021		June 30, 2020	
	Number of incentive options	Weighted average exercise price	Number of incentive options	Weighted average exercise price
Opening balance	10,091,800	CAD \$ 0.58	7,675,000	CAD \$ 0.55
Granted	1,604,412	2.00	3,150,000	0.70
Exercised	(1,746,733)	1.19	-	-
Closing balance	<u>9,949,479</u>	<u>CAD \$ 0.73</u>	<u>10,825,000</u>	<u>CAD \$ 0.59</u>
Exercisable	<u>4,820,067</u>	<u>CAD \$ 0.44</u>	<u>4,506,667</u>	<u>CAD \$ 0.72</u>

Of the 1,746,733 options exercised during the nine months ended June 30, 2021, a total of 950,000 of the options were exercised in a cashless manner whereby the Corporation issued the number of shares equal to the market value of the difference between the average market price of the shares over the five days preceding the exercise date and the exercise price. A total of 333,846 shares were issued to the option holders who exercised using the cashless manner, and a total of 796,733 options were exercised at an average cash exercise price of CAD\$0.82 for proceeds of \$507 during the nine months ended June 30, 2021. The average market price per common share on the day of exercise during the nine months ended June 30, 2021 was CAD \$1.92.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended June 30, 2021 and 2020

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

The following table summarizes information concerning outstanding and exercisable incentive stock options at June 30, 2021:

Expiry date	Outstanding		Exercisable	
	Number of options	Exercise price (CAD \$)	Number of options	Exercise price (CAD \$)
March 27, 2022	530,000	0.75	530,000	0.75
March 27, 2023	865,067	0.45	865,067	0.45
December 28, 2023	2,816,666	0.22	1,799,999	0.22
March 29, 2024	716,667	0.40	441,667	0.40
June 21, 2024	300,000	0.45	200,000	0.45
August 27, 2024	50,000	0.70	16,667	0.70
December 23, 2024	3,066,667	0.70	966,667	0.70
December 28, 2025	1,604,412	2.00	-	-
	<u>9,949,479</u>	<u>CAD \$ 0.73</u>	<u>4,820,067</u>	<u>CAD \$ 0.44</u>

The compensation cost for the incentive stock options granted during the three and nine months ended June 30, 2021 and June 30, 2020 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	Dec. 28, 2020	Dec. 23, 2019
Options granted	1,604,412	3,150,000
Exercise price	CAD \$ 2.00	CAD \$ 0.70
Risk-free rate	0.30%	1.65%
Expected volatility of share price	67%	61%
Expected dividend yield	0.00%	0.00%
Expected life of each option	5 years	5 years
Weighted average grant date fair value	CAD \$ 1.06	CAD \$ 0.31

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 6,500,000. DSUs typically vest over a 3-year period from grant date, although the vesting period is at the Board of Directors’ discretion.

The changes in DSUs for the nine months ended June 30, 2021 and June 30, 2020 were as follows:

	Jun. 30, 2021	Jun. 30, 2020
Opening balance	3,850,000	2,025,000
Granted	872,500	1,825,000
Closing balance	<u>4,722,500</u>	<u>3,850,000</u>
Exercisable	<u>2,100,000</u>	<u>816,667</u>

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Following is a summary of the DSUs outstanding at June 30, 2021:

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	\$ 150	\$ -
December 28, 2018	1,450,000	0.215	253	14
June 21, 2019	100,000	0.395	30	3
August 27, 2019	25,000	0.620	12	2
December 23, 2019	1,825,000	0.630	880	226
December 28, 2020	872,500	1.950	1,369	946
	<u>4,722,500</u>	<u>CAD \$ 0.722</u>	<u>\$ 2,694</u>	<u>\$ 1,191</u>

The Corporation has recorded total stock based compensation during the three and nine months ended June 30, 2021 of \$569 (2020 - \$294) and \$1,436 (2020 - \$771), which has been recorded as compensation expense of \$504 and \$1,270 (2020 - \$294 and \$771) and as additions to exploration and evaluation assets of \$65 and \$166 (2020 – Nil).

(e) Net income per share

Basic net income per share is calculated based on the weighted average number of shares outstanding during the year. Diluted net income 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 June 30, 2021, no options (2020 – 5,645,000) were excluded from the computation of diluted net income per share because their effect would have been anti-dilutive. Following is a reconciliation from the weighted average number of shares outstanding to the diluted weighted average number of shares outstanding:

	Three Months Ended		Nine Months Ended	
	June 30 2021	June 30 2020	June 30 2021	June 30 2020
Weighted average number of shares outstanding	272,732,627	222,189,161	267,563,022	202,640,787
Weighted average DSUs outstanding	4,722,500	3,850,000	4,443,300	3,297,172
Weighted average in-the-money options outstanding	7,347,957	3,538,092	6,882,514	2,863,802
Diluted weighted average number of shares outstanding	<u>284,803,084</u>	<u>229,577,253</u>	<u>278,888,836</u>	<u>208,801,761</u>

9. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash operating working capital:

	Three months ended		Nine months ended	
	June 30 2021	June 30 2020	June 30 2021	June 30 2020
Change in non-cash operating working capital:				
Trade receivables	\$ (1,051)	\$ 283	\$ (50)	\$ 1,305
Input tax recoverable	(879)	(224)	(2,047)	(1,632)
Prepaid expenses	(51)	65	(308)	(192)
Inventories	(1,300)	38	(3,014)	484
Trade and other payables	(25)	(911)	849	(7)
	<u>\$ (3,306)</u>	<u>\$ (749)</u>	<u>\$ (4,570)</u>	<u>\$ (42)</u>

Changes in long-term input tax recoverable and long-term inventory amounts are included in the above amounts.

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10. 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 projects as the Mexico segment, and the Corporation's corporate offices as the Canadian segment.

The following table presents information about reportable segments:

	Mexico	Canada	Total
For the three months ended June 30, 2021:			
Revenue	\$ 14,973	\$ -	\$ 14,973
Amortization and depletion	1,253	-	1,253
Interest and dividend income	-	70	70
Finance costs	70	3	73
Segment net income (loss)	2,599	(2,161)	438
Expenditures on non-current assets	5,488	-	5,488
For the three months ended June 30, 2020:			
Revenue	\$ 7,886	\$ -	\$ 7,886
Amortization and depletion	5,695	-	5,695
Interest and dividend income	-	28	28
Finance costs	87	5	92
Segment net income (loss)	1,124	(1,122)	2
Expenditures on non-current assets	2,061	-	2,061
For the nine months ended June 30, 2021:			
Revenue	\$ 42,282	\$ -	42,282
Amortization and depletion	3,367	-	3,367
Interest and dividend income	-	181	181
Finance costs	228	10	238
Segment net income (loss)	13,220	(5,814)	7,406
Expenditures on non-current assets	13,495	-	13,495
For the nine months ended June 30, 2020:			
Revenue	\$ 25,792	\$ -	\$ 25,792
Amortization and depletion	2,743	-	2,743
Interest and dividend income	-	52	52
Finance costs	279	23	302
Segment net income (loss)	956	(2,411)	(1,455)
Expenditures on non-current assets	7,853	-	7,853
Reportable segment assets (June 30, 2021)	\$ 154,440	\$ 69,834	\$ 224,274
Reportable segment liabilities (June 30, 2021)	16,329	1,236	17,565
Reportable segment assets (September 30, 2020)	\$ 132,161	\$ 50,938	\$ 183,099
Reportable segment liabilities (September 30, 2020)	11,150	1,120	12,270

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11. 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:

	June 30, 2021		September 30, 2020	
	Level 1	Level 2	Level 1	Level 2
Long-term obligations	-	\$ 1,955	-	\$ 3,386
Derivative liabilities	-	1,256	-	1,198

Long-term obligations are valued based on the discounted present value of the future cash flows.

Derivative liabilities and onerous contract provisions are valued at fair value through profit or loss on a recurring basis. For both, the Corporation performs valuations internally and calculates a debt valuation adjustment or a credit valuation adjustment by considering the risk of non-performance 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, should the need arise. The Corporation invests all cash that is surplus to its immediate operational needs in interest bearing savings accounts.

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

	June 30, 2021	September 30, 2020
Shareholders' equity	\$ 206,709	\$ 170,829
Less: cash	(73,454)	(52,626)
	<u>\$ 133,255</u>	<u>\$ 118,203</u>

- (c) Financial risks:

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

Commodity price risk

The profitability of the Corporation's mining operations will be significantly affected by changes in the market price for silver, gold and copper ("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. The Corporation has an Off-Take Agreement, which was modified on April 29, 2021 as per the details in Note 7, whereby it sells 2.4% of all the refined gold and refined silver produced at Parral over the life of the operation at a price equal to 30% of the prevailing market price. Changes in the prices of gold and silver will impact the carrying amount of the provision and be recorded in earnings each reporting period.

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 \$101 and value added tax ("VAT") receivable from the Federal Government of Mexico of \$14,631. Timing of collection on VAT receivables is uncertain as VAT refund

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procedures require a significant amount of information and follow-up. The Corporation assesses the recoverability of amounts receivable at each reporting date. Changes in these estimates can materially affect the amount recognized as VAT receivable and could result in a change in net income. As at June 30, 2021, the Corporation determined the full balance to be recoverable. Significant judgment is required to determine the presentation of current and non-current input tax recoverable. Exposure on trade receivables is limited as all receivables are with one customer who the Corporation has a strong working relationship 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 ("CAD"), US dollars ("USD"), and Mexican Pesos ("MXN"). The Corporation funds certain operations, exploration and administrative expenses in Mexico using USD and MXN currency converted from its CAD and USD bank accounts. Excess cash is held predominantly in USD, although also held in CAD and MXN based on future spending requirements. As GoGold Resources Inc., the parent corporation, has a functional currency of CAD, net liabilities held in USD are affected by foreign exchange fluctuations and will affect the Corporation's net income. At June 30, 2021, GoGold Resources Inc. had net monetary assets in USD of \$42,341 (September 30, 2020 – \$11,093), for which a 10% change in US exchange rates would change net income by approximately \$4,234. At June 30, 2021, the Corporation had net monetary assets in MXN of approximately \$11,562 (September 30, 2020 – \$9,115), for which a 10% change in MXN exchange rates would change net income by approximately \$1,156.

Interest Rate Risk

The Corporation has cash balances and the current policy is to invest excess cash in Canadian bank interest bearing 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 June 30, 2021 the Corporation had cash balances of \$73,454, current input tax recoverable of \$7,614, and trade receivables of \$4,817 for settling current liabilities of \$10,429. Liquidity is expected to be sufficient to fund the operations of the Corporation for the next twelve months.

COVID-19 Risk

On March 11, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", was classified as a global pandemic, which has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity and capital markets have also experienced significant volatility and weakness. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government's interventions. The Corporation has implemented procedures in response to the COVID-19 pandemic including employee education, monitoring of symptoms, and increased sanitization, as well as employees working remotely when possible.

While there were previously Mexican federal government temporary suspensions at the Corporation's operations, the Mexican federal government has since decreed that mining is an essential service, reducing the likelihood that the Corporation's operations will require another COVID-19 temporary suspension. However, the duration of the outbreak and economic impacts are uncertain and there may be impacts in the future on the Corporation's operations, supply chain, and cash flows, the Corporation's ability to raise financing or the pricing of such financing. The Corporation's key suppliers could be affected by the pandemic, which could affect production levels, exploration results, and costs, among other items. Impacts on the Corporation's operations and cash flows could be significant should the COVID-19 pandemic require the Corporation to cease all operations at both Parral and Los Ricos for an unknown time period. While the Company cannot predict the timing or length or any suspension of operations due to COVID-19 or the adequacy of the Company's planned response, the Company would curtail non-essential expenses and would have sufficient liquidity to operate for the foreseeable future, and not less than a year.

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(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. Pursuant to the agreement, the Corporation is currently making payments of \$70 per month to the Town which varies 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 June 30, 2021 of \$25.77 (September 30, 2020 - \$23.73), as well as the historical volatility of silver market prices. The fair value of the liability under this method at June 30, 2021 was \$1,259 (September 30, 2020 - \$1,198).

12. COMMITMENTS

The Corporation has the following minimum annual commitments for which no liability has been recorded for the next five years:

Description	2022	2023	2024	2025	2026
Minimum royalty and land payments – Parral (Note 11(d))	\$ 570	\$ 570	\$ 570	\$ 570	\$ 570
Los Ricos option payments (Note 5)	961	814	1,050	1,300	-
Los Ricos consulting payments (Note 5)	300	300	100	-	-
	\$ 1,831	\$ 1,684	\$ 1,720	\$ 1,870	\$ 570