



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED

MARCH 31, 2022

**(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>March 31</u> <u>2022</u>	<u>September 30</u> <u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 83,265	\$ 66,837
Trade receivables	4,838	4,171
Input tax recoverable	7,668	7,294
Prepaid expenses	541	817
Inventories (Note 3)	<u>11,287</u>	<u>9,221</u>
	107,599	88,340
Non-current assets:		
Input tax recoverable	11,336	7,896
Inventories (Note 3)	32,240	24,718
Property, plant and equipment (Note 4)	55,983	59,088
Exploration and evaluation assets (Note 5)	<u>58,061</u>	<u>45,278</u>
Total assets	<u>\$ 265,219</u>	<u>\$ 225,320</u>
LIABILITIES		
Current liabilities:		
Trade and other payables	\$ 10,749	\$ 9,522
Current portion of long-term obligations (Note 6)	564	710
Current portion of onerous contract provision	<u>460</u>	<u>478</u>
	11,773	10,710
Non-current liabilities:		
Long-term obligations (Note 6)	664	959
Onerous contract provision	3,376	3,397
Derivative liability (Note 10(d))	1,332	975
Provision for site restoration	1,850	1,717
Deferred tax liability	<u>3,863</u>	<u>1,301</u>
Total liabilities	<u>22,858</u>	<u>19,059</u>
EQUITY		
Share capital (Note 7)	262,538	227,520
Contributed surplus	11,164	10,289
Accumulated other comprehensive loss	(2,651)	(4,350)
Deficit	<u>(28,690)</u>	<u>(27,198)</u>
Total equity	<u>242,361</u>	<u>206,261</u>
Total liabilities and equity	<u>\$ 265,219</u>	<u>\$ 225,320</u>

Commitments (Note 11)

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



SILVER & GOLD

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

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

	Three months ended		Six months ended	
	<u>March 31</u> <u>2022</u>	<u>March 31</u> <u>2021</u>	<u>March 31</u> <u>2022</u>	<u>March 31</u> <u>2021</u>
Revenue from mining operations	<u>\$ 10,334</u>	<u>\$ 13,232</u>	<u>\$ 19,189</u>	<u>\$ 27,309</u>
Cost of sales:				
Production costs, except amortization and depletion	<u>5,880</u>	<u>6,939</u>	<u>11,299</u>	<u>14,322</u>
Amortization and depletion	<u>1,107</u>	<u>1,088</u>	<u>2,141</u>	<u>2,114</u>
	<u>6,987</u>	<u>8,027</u>	<u>13,440</u>	<u>16,436</u>
General and administrative	<u>2,042</u>	<u>1,796</u>	<u>3,869</u>	<u>3,446</u>
Operating income	<u>1,305</u>	<u>3,409</u>	<u>1,880</u>	<u>7,427</u>
Finance costs	<u>(129)</u>	<u>(79)</u>	<u>(259)</u>	<u>(165)</u>
Foreign exchange loss	<u>(389)</u>	<u>(944)</u>	<u>(312)</u>	<u>(480)</u>
(Loss) gain on derivative liability	<u>(229)</u>	<u>293</u>	<u>(357)</u>	<u>74</u>
Interest income	<u>61</u>	<u>53</u>	<u>118</u>	<u>112</u>
	<u>(686)</u>	<u>(677)</u>	<u>(810)</u>	<u>(459)</u>
Net income before income taxes	<u>619</u>	<u>2,732</u>	<u>1,070</u>	<u>6,968</u>
Deferred income tax expense	<u>(1,618)</u>	<u>-</u>	<u>(2,562)</u>	<u>-</u>
Net (loss) income	<u>(999)</u>	<u>2,732</u>	<u>(1,492)</u>	<u>6,968</u>
Other comprehensive income:				
Foreign currency translation differences which may subsequently be cycled through net income	<u>1,454</u>	<u>393</u>	<u>1,699</u>	<u>2,882</u>
Total comprehensive income for the period	<u>\$ 455</u>	<u>\$ 3,125</u>	<u>\$ 207</u>	<u>\$ 9,850</u>
Net (loss) income per share (Note 7 (h))				
Basic	<u>\$ (0.004)</u>	<u>\$ 0.010</u>	<u>\$ (0.005)</u>	<u>\$ 0.026</u>
Diluted	<u>\$ (0.003)</u>	<u>\$ 0.010</u>	<u>\$ (0.005)</u>	<u>\$ 0.025</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		Six months ended	
	<u>March 31</u>	<u>March 31</u>	<u>March 31</u>	<u>March 31</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Cash provided by (used in) the following activities:				
Operating activities				
Net (loss) income for the period	\$ (999)	\$ 2,732	\$ (1,492)	\$ 6,968
Items not involving cash:				
Amortization and depletion	1,107	1,088	2,141	2,114
Deferred income taxes	1,618	-	2,562	-
Finance costs	129	79	259	165
Interest paid	(5)	(23)	(9)	(26)
Foreign exchange loss	389	944	312	480
Loss (gain) on derivative liability	229	(293)	357	(74)
Settlement of onerous contract provision by sale of Off-Take Ounces	(90)	-	(174)	-
Stock based compensation	546	460	1,026	766
	<u>2,924</u>	<u>4,987</u>	<u>4,982</u>	<u>10,393</u>
Change in non-cash operating working capital (Note 8)	<u>(4,618)</u>	<u>(1,718)</u>	<u>(11,259)</u>	<u>(1,261)</u>
Net cash provided (used in) provided by operating activities	<u>(1,694)</u>	<u>3,269</u>	<u>(6,277)</u>	<u>9,132</u>
Investing activities				
Exploration and evaluation expenditures (Note 5)	(4,587)	(4,189)	(11,214)	(7,842)
Purchase of property, plant and equipment (Note 4)	(31)	(140)	(171)	(165)
Net cash used in investing activities	<u>(4,618)</u>	<u>(4,329)</u>	<u>(11,385)</u>	<u>(8,007)</u>
Financing activities				
Net proceeds on equity issuance (Note 7)	33,423	-	33,423	-
Proceeds on stock option exercises (Note 7)	107	52	207	504
Payments of leases (Note 6)	(409)	(400)	(420)	(409)
Payments of long-term obligations (Note 6)	(83)	(414)	(166)	(837)
Net cash provided by (used in) financing activities	<u>33,038</u>	<u>(762)</u>	<u>33,044</u>	<u>(742)</u>
Effect of exchange rate changes on cash	<u>772</u>	<u>160</u>	<u>1,046</u>	<u>1,726</u>
Net increase (decrease) in cash and cash equivalents	<u>27,498</u>	<u>(1,662)</u>	<u>16,428</u>	<u>2,109</u>
Cash and cash equivalents, beginning of period	<u>55,767</u>	<u>56,397</u>	<u>66,837</u>	<u>52,626</u>
Cash and cash equivalents, end of period	<u>\$ 83,265</u>	<u>\$ 54,735</u>	<u>\$ 83,265</u>	<u>\$ 54,735</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, 2020	264,166,788	\$ 202,356	\$ 8,881	\$ (6,130)	\$ (34,278)	\$ 170,829
Net income	-	-	-	-	6,968	6,968
Other comprehensive income	-	-	-	2,882	-	2,882
Options exercised	1,117,179	1,082	(578)	-	-	504
Stock-based compensation (Note 7)	-	-	867	-	-	867
Shares issued, net of issuance costs (Note 7)	456,250	775	-	-	-	775
Balance at March 31, 2021	265,740,217	204,213	9,170	(3,248)	(27,310)	182,825
Balance at October 1, 2021	277,847,367	227,520	10,289	(4,350)	(27,198)	206,261
Net loss	-	-	-	-	(1,492)	(1,492)
Other comprehensive income	-	-	-	1,699	-	1,699
Options exercised	670,939	354	(147)	-	-	207
Stock-based compensation (Note 7)	-	-	1,022	-	-	1,022
Shares issued, net of issuance costs (Note 7)	16,658,500	34,664	-	-	-	34,664
Balance at March 31, 2022	295,176,806	\$ 262,538	\$ 11,164	\$ (2,651)	\$ (28,690)	\$ 242,361

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended March 31, 2022

(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 gold and silver primarily in Mexico.

2. BASIS OF PREPARATION

a) Statement of compliance

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

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, 2021 prepared in accordance with IFRS.

These condensed consolidated interim financial statements were approved by the directors of the Corporation on May 10, 2022.

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, 2021.

3. INVENTORIES

	<u>March 31, 2022</u>	<u>September 30, 2021</u>
Current:		
Supplies inventory	\$ 2,181	\$ 925
In process inventory	8,451	7,728
Finished goods inventory	655	568
	<u>11,287</u>	<u>9,221</u>
Long term:		
In process inventory	32,240	24,718
	<u>\$ 43,527</u>	<u>\$ 33,939</u>

The amount of inventory included in cost of sales for the three and six months ended March 31, 2022 was \$6,987 and \$13,440 (2021 – \$8,027 and \$16,436). An assessment of the net realizable value of in process inventory was completed, and no adjustments were required, at March 31, 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended March 31, 2022

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

4. PROPERTY, PLANT AND EQUIPMENT

Cost	<u>Plant & Equipment</u>	<u>Mining Properties</u>	<u>Total</u>
At September 30, 2021	\$ 50,113	\$ 59,751	\$ 109,864
Additions	243	18	261
Reclamation obligation adjustments	-	14	14
At March 31, 2022	\$ 50,356	\$ 59,783	\$ 110,139

Accumulated Amortization	<u>Plant & Equipment</u>	<u>Mining Properties</u>	<u>Total</u>
At September 30, 2021	\$ 27,640	\$ 23,136	\$ 50,776
Amortization and depletion	1,419	1,961	3,380
At March 31, 2022	\$ 29,059	\$ 25,097	\$ 54,156

Net Carrying Value	<u>Plant & Equipment</u>	<u>Mining Properties</u>	<u>Total</u>
At September 30, 2021	\$ 22,473	\$ 36,615	\$ 59,088
At March 31, 2022	\$ 21,297	\$ 34,686	\$ 55,983

For the three and six months ended March 31, 2022, amortization and depletion of \$295 and \$1,238 (2021 - \$442 and \$1,016) was capitalized to in process inventory. Disclosures related to right of use assets are shown in the following table:

Right of Use Assets	<u>Plant & Equipment</u>	<u>Mining Properties</u>	<u>Total</u>
Net Carrying Value – September 30, 2021	\$ 41	\$ 1,358	\$ 1,399
Net Carrying Value – March 31, 2022	135	1,257	1,392
Amortization and depletion expensed – 2021	17	83	100
Amortization and depletion expensed – 2022	18	101	119

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended March 31, 2022

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

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 six months ended March 31, 2022 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, 2021	\$ 24,276	\$ 1,880	\$ 26,156	\$ 12,376	\$ 6,746	\$ 19,122	\$ 36,652	\$ 8,626	\$ 45,278
Concession requirements	1,302	-	1,302	215	66	281	1,517	66	1,583
Drilling, exploration and consulting	8,036	334	8,370	1,869	961	2,830	9,905	1,295	11,200
At March 31, 2022	\$ 33,614	\$ 2,214	\$ 35,828	\$ 14,460	\$ 7,773	\$ 22,233	\$ 48,074	\$ 9,987	\$ 58,061

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. Cash-settled consideration includes \$2,152 (September 30, 2021 - \$1,936) in trade and other payables at March 31, 2022.

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 under the option agreements. Details of the remaining payments required related to these option agreements are provided in Notes 6 and 11.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended March 31, 2022

(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 March 31, 2022 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, 2021	\$ 306	\$ 298	\$ 1,849	\$ 1,371	\$ 2,155	\$ 1,669
Principal paid	(166)	(166)	(420)	(420)	(586)	(586)
Additions	-	-	109	90	109	90
Accretion	-	6	-	49	-	55
At March 31, 2022	\$ 140	\$ 138	\$ 1,538	\$ 1,090	\$ 1,678	\$ 1,228
Current:						
March 31, 2023	\$ 140	\$ 138	\$ 450	\$ 426	\$ 590	\$ 564
Long term:						
March 31, 2024	-	-	22	19	22	19
March 31, 2025	-	-	22	18	22	18
March 31, 2026	-	-	22	17	22	17
March 31, 2027	-	-	22	16	22	16
Subsequent to March 31, 2027	-	-	1,000	594	1,000	594
	-	-	1,088	664	1,088	664

(a) Concession Agreement and NSR Agreement

On August 15, 2019, the Corporation acquired 29 concessions within the Los Ricos project (the “Concession Agreements”). Consideration for the Concession Agreements consisted of \$500 in cash upon signing, \$3,220 which was 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. The final payments related to the Concession Agreements were made 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 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.

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%.

(b) Lease obligations

Upon adoption of IFRS 16 – Leases on October 1, 2019, the Corporation recorded an obligation for the land lease for the Parral project, which provides the Corporation the use of the land where the Parral heap leach and processing facilities are

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended March 31, 2022

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

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 no payments from 2024 to 2027, and then payments of \$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.

The Corporation has recorded additional lease obligations which are disclosed in the table above and are non-interest bearing and discounted using the effective interest method with an effective average interest rate of 5%. The Corporation had no short-term leases nor low-value leased assets in the six months ending March 31, 2022.

7. SHARE CAPITAL

(a) Authorized

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

(b) Issued

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

	Shares	
Balance October 1, 2020	264,166,788	\$ 202,356
Shares issued to consultants in exchange for services and agreements	456,250	775
Shares issued on exercise of options	1,117,179	1,082
Balance March 31, 2021	265,740,217	\$ 204,213
Balance October 1, 2021	277,847,367	\$ 227,520
Shares issued to consultants in exchange for services and agreements	512,500	1,241
Shares issued, net of issuance costs	16,146,000	33,423
Shares issued on exercise of options	670,939	354
Balance March 31, 2022	295,176,806	\$ 262,538

On March 8, 2022, the Corporation closed a bought deal whereby a syndicate of underwriters purchased 16,146,000 common shares at a price of \$2.85 CAD per share for net proceeds of \$33,423 after share issuance costs of \$2,303.

During the six months ended March 31, 2022, the Corporation issued 487,500 common shares (2021 – 406,250) valued at \$1,174 (2021 - \$671) to consultants in exchange for services received and issued 25,000 common shares (2021 – 50,000) valued at \$67 (2021 – \$104) in line with concession option agreements, at the Los Ricos projects – see Note 5.

(c) Omnibus equity incentive plan (“Omnibus Plan”)

The Corporation adopted an Omnibus Plan which was approved by the shareholders of the Corporation on March 24, 2022. The Omnibus Plan provides the Corporation with a share-related mechanism to attract, retain and motivate qualified directors, employees and consultants of the Corporation. Share-related mechanisms include incentive stock options, deferred share units (“DSUs”), restricted share units (“RSUs”), and performance share units (“PSUs”). The Omnibus Plan replaced legacy plans including a rolling 10% incentive stock option plan, DSU plan, and RSU plan (the “Legacy Plans”). Awards granted under these legacy plans remain in place under the terms of their initial issuance.

The Omnibus Plan is a fixed plan which provides that the aggregate number of common shares that may be issued upon the exercise or settlement of awards granted, together with awards outstanding under the Legacy Plans, shall not exceed

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended March 31, 2022

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

27,500,000 common shares. Sections (d), (e), and (f) below provide details on the outstanding awards under the Omnibus Plan and Legacy Plans.

(d) Incentive stock options

The Corporation has no options granted under the Omnibus Plan.

Under the Legacy Plan, the terms and conditions of each grant of options were determined by the Board of Directors. Options were granted at a price no lower than the market price of the common shares as defined in the Plan which was 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 vested over a three year period, although the vesting period was at the Board of Directors' discretion.

The changes in incentive stock options during the six months ended March 31, 2022 and 2021 were as follows:

	March 31, 2022		March 31, 2021	
	Number of incentive options	Weighted average exercise price	Number of incentive options	Weighted average exercise price
Opening balance	9,949,479	CAD \$ 0.73	10,091,800	CAD \$ 0.58
Granted	1,030,500	3.25	1,604,412	2.00
Exercised – cashless	(350,000)	0.66	(950,000)	1.19
Exercised – cash	(390,000)	0.68	(783,333)	1.19
Closing balance	<u>10,239,979</u>	<u>CAD \$ 0.98</u>	<u>9,962,879</u>	<u>CAD \$ 0.73</u>
Exercisable	<u>6,973,204</u>	<u>CAD \$ 0.54</u>	<u>4,733,467</u>	<u>CAD \$ 0.44</u>

During the six months ended March 31, 2022, a total of 280,939 (2021 – 333,846) shares were issued to the option holders who exercised options using the cashless manner. The average market price per common share on the day of exercise during the six months ended March 31, 2022 was CAD \$3.13 (2021 – CAD \$1.91).

The following table summarizes information concerning outstanding and exercisable incentive stock options at March 31, 2022:

	Outstanding		Exercisable	
<u>Expiry date</u>	Number of options	Exercise price (CAD \$)	Number of options	Exercise price (CAD \$)
March 27, 2023	765,067	0.45	765,067	0.45
December 28, 2023	2,766,666	0.22	2,766,666	0.22
March 29, 2024	666,667	0.40	666,667	0.40
June 21, 2024	300,000	0.45	200,000	0.45
August 27, 2024	50,000	0.70	33,333	0.70
December 23, 2024	3,066,667	0.70	2,016,667	0.70
December 28, 2025	1,594,412	2.00	524,804	2.00
December 30, 2026	1,030,500	3.25	-	-
	<u>10,239,979</u>	<u>CAD \$ 0.98</u>	<u>6,973,204</u>	<u>CAD \$ 0.54</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended March 31, 2022

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

The compensation cost for the incentive stock options granted during the six months ended March 31, 2022 and March 31, 2021 were determined based on the fair value of the options at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Option grant date	<u>Dec. 30, 2021</u>	<u>Dec. 28, 2020</u>
Options granted	1,030,500	1,604,412
Exercise price	CAD \$ 3.25	CAD \$ 2.00
Risk-free rate	1.30%	0.30%
Expected volatility of share price	65%	67%
Expected dividend yield	0.00%	0.00%
Expected life of each option	5 years	5 years
Weighted average grant date fair value	CAD \$ 1.58	CAD \$ 1.06

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.

(e) Deferred share units

The Corporation's Omnibus Plan allows, and DSU Legacy Plan allowed, DSU awards which entitles the participant to receive one common share of the Corporation issued from treasury upon redemption. DSUs typically vest over a 3-year period from grant date, although the vesting period is at the Board of Directors' discretion. There have been no DSU awards granted under the Omnibus Plan to date, with all awards granted under the Legacy Plan.

The changes in DSUs for the six months ended March 31, 2022 and March 31, 2021 were as follows:

	<u>Mar. 31, 2022</u>	<u>Mar. 31, 2021</u>
Opening balance	4,722,500	3,850,000
Granted	140,000	872,500
Closing balance	<u>4,862,500</u>	<u>4,722,500</u>
Exercisable	<u>3,490,833</u>	<u>2,066,667</u>

Following is a summary of the DSUs outstanding at March 31, 2022:

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	-
June 21, 2019	100,000	0.395	30	1
August 27, 2019	25,000	0.620	12	1
December 23, 2019	1,825,000	0.630	877	74
December 28, 2020	872,500	1.950	1,359	432
December 30, 2021	140,000	3.030	339	287
	<u>4,862,500</u>	<u>CAD \$ 0.788</u>	<u>\$ 3,020</u>	<u>\$ 795</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended March 31, 2022

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

(f) Restricted share units (“RSUs”)

The Omnibus Plan allows for, and the RSU Legacy Plan which was approved on December 30, 2021 allowed for the award of RSUs as an alternative form of compensation for employees, officers, and directors of the Corporation. Each RSU entitles the participant to receive a cash payment equal to the value of one common share of the Corporation on the vesting date. Cash payments are to be made within 30 days of vesting of each RSU, and RSUs typically vest and become exercisable over a 3-year period from the grant date, with one-third vesting on each of the first, second and third anniversaries of the grant date.

On December 30, 2021, under the Legacy Plan, the Corporation issued 322,516 RSUs which vest over 3 years. The market price on the issue date was \$3.03. At March 31, 2022, the Corporation has recorded a liability of \$116 associated with RSUs.

(g) Stock based compensation

The Corporation has recorded total stock based compensation during the three and six months ended March 31, 2022 and March 31, 2021 categorized as follows:

	Three months ended		Six months ended	
	March 31 2022	March 31 2021	March 31 2022	March 31 2021
Cash-settled, through general and administrative expense	\$ 114	\$ -	\$ 115	\$ -
Equity-settled, through general and administrative expense	432	460	911	766
Equity-settled, additions to exploration and evaluation assets	50	101	111	101
	<u>\$ 596</u>	<u>\$ 561</u>	<u>\$ 1,137</u>	<u>\$ 867</u>

(h) 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 March 31, 2022, 1,030,500 (2021 – Nil) options 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		Six Months Ended	
	March 31 2022	March 31 2021	March 31 2022	March 31 2021
Weighted average number of shares outstanding	282,588,776	265,517,185	280,232,459	264,978,219
Weighted average DSUs outstanding	4,862,500	4,722,500	4,793,269	4,300,476
Weighted average in-the-money options outstanding	<u>6,922,906</u>	<u>7,000,984</u>	<u>7,047,569</u>	<u>6,579,735</u>
Diluted weighted average number of shares outstanding	<u>294,374,182</u>	<u>277,240,669</u>	<u>292,073,297</u>	<u>275,858,430</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended March 31, 2022

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

8. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash operating working capital:

	Three months ended		Six months ended	
	March 31 2022	March 31 2021	March 31 2022	March 31 2021
Change in non-cash operating working capital:				
Trade receivables	\$ (618)	\$ 69	\$ (667)	\$ 1,002
Input tax recoverable	(1,339)	(846)	(3,264)	(1,174)
Prepaid expenses	95	(71)	284	(258)
Inventories	(3,106)	(1,031)	(8,349)	(1,718)
Trade and other payables	350	161	737	887
	<u>\$ (4,618)</u>	<u>\$ (1,718)</u>	<u>\$ (11,259)</u>	<u>\$ (1,261)</u>

Exploration and evaluation expenditures for the three and six months ended March 31, 2021 are presented net of increases of \$888 and \$215 (2021 - \$741 and \$1,477) of amounts included in trade and other payables.

9. SEGMENTED INFORMATION

The Corporation's reportable segments are consistent with the Corporation's geographic regions in which the Corporation operates. In determining the Corporation's segment structure, the Corporation considered the basis on which management reviews the financial and operational performance and whether any of the Corporation's mining operations share similar economic, operational and regulatory characteristics. The Corporation 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 March 31, 2022:			
Revenue	\$ 10,334	\$ -	\$ 10,334
Amortization and depletion	1,107	-	1,107
Interest income	10	51	61
Finance costs	127	2	129
Segment net income (loss)	1,899	(2,414)	(515)
Expenditures on non-current assets	4,618	-	4,618
For the three months ended March 31, 2021:			
Revenue	\$ 13,232	\$ -	\$ 13,232
Amortization and depletion	1,088	-	1,088
Interest income	-	53	53
Finance costs	76	3	79
Segment net income (loss)	4,148	(1,416)	2,732
Expenditures on non-current assets	4,329	-	4,329
For the six months ended March 31, 2022:			
Revenue	\$ 19,189	\$ -	\$ 19,189
Amortization and depletion	2,141	-	2,141
Interest income	10	108	118

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended March 31, 2022

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

	Mexico	Canada	Total
Finance costs	252	7	259
Segment net income (loss)	2,904	(3,912)	(1,008)
Expenditures on non-current assets	11,385	-	11,385
For the six months ended March 31, 2021:			
Revenue	\$ 27,309	\$ -	\$ 27,309
Amortization and depletion	2,114	-	2,114
Interest income	-	112	112
Finance costs	157	8	165
Segment net income (loss)	10,621	(3,653)	6,968
Expenditures on non-current assets	8,007	-	8,007
Reportable segment assets (March 31, 2022)	\$ 183,605	\$ 81,614	\$ 265,219
Reportable segment liabilities (March 31, 2022)	20,419	1,955	22,374
Reportable segment assets (September 30, 2021)	\$ 160,238	\$ 65,082	\$ 225,320
Reportable segment liabilities (September 30, 2021)	17,333	1,726	19,059

10. 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.

	March 31, 2022		September 30, 2021	
	Level 1	Level 2	Level 1	Level 2
Long-term obligations	-	\$ 1,228	-	\$ 1,669
Derivative liability	-	1,332	-	975

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

The derivative liability is valued at fair value through profit or loss on a recurring basis. For both the long-term liabilities and the derivative liability, 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 capital that is surplus to its immediate operational needs in high interest savings accounts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended March 31, 2022

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

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

	<u>March 31, 2022</u>	<u>September 30, 2021</u>
Shareholders' equity	\$ 242,845	\$ 227,520
Less: cash	<u>(83,265)</u>	<u>(66,837)</u>
	<u>\$ 159,580</u>	<u>\$ 160,683</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.

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 \$215 and value added tax ("VAT") receivable from the Federal Government of Mexico of \$18,789. Timing of collection on VAT receivables is uncertain as VAT refund 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 March 31, 2022, 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. The Corporation's subsidiaries in Mexico have a functional currency of USD, and therefore net monetary assets held in MXN in those entities are affected by foreign exchange fluctuations and will affect the Corporation's net income. At March 31, 2022, the Corporation had net monetary assets in MXN of approximately \$14,192 (September 30, 2021 – \$11,786), for which a 10% change in MXN exchange rates would change net income by approximately \$1,419.

As GoGold Resources Inc., the parent corporation, has a functional currency of CAD, net monetary assets held in USD are affected by foreign exchange fluctuations recorded through the Corporation's net income. At March 31, 2022, GoGold Resources Inc. had net monetary assets in USD of \$66,416 (September 30, 2021 – \$38,994), for which a 10% change in US exchange rates would change net income by approximately \$6,642. As the Corporation's reporting currency is USD, these changes to net income attributed to fluctuations in the US exchange rates would be offset by an equal opposite change to other comprehensive income. Net monetary assets held in CAD by the parent corporation are affected by foreign exchange fluctuations recorded through other comprehensive income. At March 31, 2022, the parent corporation held net monetary assets in CAD of \$13,242, for which a 10% change in CAD exchange rates would change other comprehensive income by approximately \$1,324.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended March 31, 2022

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

Interest Rate Risk

The Corporation has cash balances and the current policy is to invest excess cash in Canadian bank high interest savings accounts, with excess cash held in CAD, USD, or MXN based on future spending requirements and consensus foreign exchange estimates. 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 March 31, 2022, the Corporation had cash balances of \$83,265, current input tax recoverable of \$7,668 and trade receivables of \$4,838 for settling current liabilities of \$11,773, and therefore 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 any future 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.

(d) Derivative liability:

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, the variable payment portion of the 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 March 31, 2022 of \$24.82 (September 30, 2021 - \$21.53), as well as the historical volatility of silver market prices. The fair value of the derivative liability under this method at March 31, 2022 was \$1,332 (September 30, 2021 - \$975).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended March 31, 2022

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

11. COMMITMENTS

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

Description	2023	2024	2025	2026	2027
Minimum royalty and land payments – Parral (Note 10(d))	\$ 570	\$ 570	\$ 570	\$ 570	\$ 570
Los Ricos option payments (Note 9)	871	1,050	1,300	-	-
Los Ricos consulting payments (Note 9)	300	175	-	-	-
	<u>\$ 1,741</u>	<u>\$ 1,795</u>	<u>\$ 1,870</u>	<u>\$ 570</u>	<u>\$ 570</u>