



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

QUARTER ENDED

MARCH 31, 2014

(in Canadian Dollars unless stated otherwise)

(Unaudited)



CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited – In Canadian dollars)

	March 31 2014	September 30 2013
ASSETS		
Current assets:		
Cash	\$ 19,086,052	\$ 31,114,102
Input tax recoverable	3,093,307	341,354
Prepaid expenses and accounts receivable others	529,015	96,495
	<u>22,708,374</u>	<u>31,551,951</u>
Non-current assets:		
Property, plant and equipment (Note 4)	76,386,716	54,619,408
Exploration and evaluation assets (Note 5)	43,364,326	26,277,321
Total non-current assets	<u>119,751,042</u>	<u>80,896,729</u>
Total assets	<u><u>\$ 142,459,416</u></u>	<u><u>\$ 112,448,680</u></u>
LIABILITIES		
Current liabilities:		
Trade and other payables	\$ 4,128,890	\$ 1,628,987
Current portion of long term debt	8,289,750	1,250,000
	<u>12,418,640</u>	<u>2,878,987</u>
Long term debt (Note 6)	23,372,896	12,421,726
Derivative liability (Note 7)	710,000	388,691
Deferred income taxes (Note 9)	2,135,183	15,184
Total liabilities	<u>38,636,719</u>	<u>15,704,588</u>
EQUITY		
Share capital (Note 7)	100,648,686	94,241,134
Contributed surplus	10,676,628	10,477,976
Accumulated other comprehensive income (loss)	2,065,540	(241,670)
Deficit	(11,727,016)	(7,733,348)
Total parent shareholders's equity	<u>101,663,838</u>	<u>96,744,092</u>
Non-controlling interest (Note 8)	<u>2,158,859</u>	<u>-</u>
Total equity	<u>103,822,697</u>	<u>96,744,092</u>
Total liabilities and equity	<u><u>\$ 142,459,416</u></u>	<u><u>\$ 112,448,680</u></u>
Commitments (Note 13)		
Subsequent Events (Note 8)		

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.



CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE
INCOME (LOSS)
(Unaudited – In Canadian dollars)

	For the Three Months Ended		For the Six Months Ended	
	March 31 2014	March 31 2013	March 31 2014	March 31 2013
Expenses:				
General and administrative	\$ 535,018	\$ 581,993	\$ 1,064,730	\$ 1,147,833
Regulatory	64,772	71,411	144,415	79,252
Marketing and public relations	96,765	252,377	326,715	505,609
Impairment charge	-	715,098	-	715,098
	<u>696,555</u>	<u>1,620,879</u>	<u>1,535,860</u>	<u>2,447,792</u>
Finance income	-	63,696	-	136,363
Loss on derivative liability	(402,000)	-	(321,309)	-
Foreign exchange loss	(174,414)	-	(103,775)	-
	<u>(576,414)</u>	<u>63,696</u>	<u>(425,084)</u>	<u>136,363</u>
Deferred income tax expense (Note 9)	-	-	(2,032,724)	-
Net loss for the period	\$ (1,272,969)	\$ (1,557,183)	\$ (3,993,668)	\$ (2,311,429)
Other comprehensive income:				
Items which may subsequently be cycled through profit and loss:				
Foreign currency translation differences arising on translation of foreign subsidiaries	1,536,739	889,601	2,307,210	924,941
	<u>1,536,739</u>	<u>889,601</u>	<u>2,307,210</u>	<u>924,941</u>
Total comprehensive income (loss) for the period	<u>\$ 263,770</u>	<u>\$ (667,582)</u>	<u>\$ (1,686,458)</u>	<u>\$ (1,386,488)</u>
Loss per share basic and fully diluted (Note 7)	<u>\$ -</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding (Note 7)	<u>134,997,535</u>	<u>128,288,331</u>	<u>133,973,010</u>	<u>128,288,331</u>

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.



CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – In Canadian dollars)

Six months ended	March 31 2014	March 31 2013
Cash provided by (used in) the following activities:		
Operating activities		
Net loss for the period	\$ (3,993,668)	\$ (2,311,429)
Items not involving cash		
Stock based compensation	163,004	440,300
Deferred income taxes	2,032,724	-
Impairment charge	-	715,098
Depreciation	26,587	2,026
Amortization of deferred financing costs	259,420	-
Loss on derivative liability	321,309	-
Foreign exchange loss	103,775	-
Capitalized interest	(930,269)	-
Net change in non-cash working capital	(1,215,758)	(494,109)
Net cash used in operating activities	<u>(3,232,876)</u>	<u>(1,648,114)</u>
Investing activities		
Resource property expenditures	(2,209,253)	(4,987,562)
Net cash consideration on Animas asset purchase (Note 8)	(4,390,090)	-
Purchase of property, plant and equipment	(19,673,023)	(10,816)
Net cash used in investing activities	<u>(26,272,366)</u>	<u>(4,998,378)</u>
Financing activities		
Proceeds from long term debt	16,651,500	-
Net cash provided by financing activities	<u>16,651,500</u>	<u>-</u>
Net decrease in cash and cash equivalents	<u>(12,853,742)</u>	<u>(6,646,492)</u>
Foreign exchange impact on cash	<u>825,692</u>	<u>-</u>
Cash and cash equivalents, beginning of period	<u>\$ 31,114,102</u>	<u>\$ 24,727,903</u>
Cash and cash equivalents, end of period	<u>\$ 19,086,052</u>	<u>\$ 18,081,411</u>

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.



CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited – In Canadian dollars except share information)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Surplus (Deficit)	Non-controlling interest	Total equity
Balance at October 1, 2012	128,288,331	\$ 89,703,697	\$ 9,759,488	\$ (188,773)	\$ (4,090,626)	\$ -	\$ 95,183,786
Net loss	-	-	-	-	(2,311,429)	-	(2,311,429)
Other comprehensive income	-	-	-	924,941	-	-	924,941
Stock-based compensation (note 7)	-	-	480,144	-	-	-	480,144
Balance at March 31, 2013	128,288,331	\$ 89,703,697	\$ 10,239,632	\$ 736,168	\$ (6,402,055)	\$ -	\$ 94,277,442
Balance at October 1, 2013	132,981,894	\$ 94,241,134	\$ 10,477,976	\$ (241,670)	\$ (7,733,348)	\$ -	\$ 96,744,092
Net Loss	-	-	-	-	(3,993,668)	-	(3,993,668)
Other comprehensive income	-	-	-	2,307,210	-	-	2,307,210
Stock-based compensation (note 7)	-	-	198,652	-	-	-	198,652
Acquisition of Animas Resources (Note 8)	5,786,841	6,407,552	-	-	-	2,158,859	8,566,411
Balance at March 31, 2014	138,768,735	\$ 100,648,686	\$ 10,676,628	\$ 2,065,540	\$ (11,727,016)	\$ 2,158,859	\$ 103,822,697

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited – In Canadian dollars except share information)

1. NATURE OF OPERATIONS

GoGold Resources Inc. (the “Corporation” or the “Company”) 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 Company’s common shares are listed on the Toronto Stock Exchange trading under the symbol GGD. The condensed consolidated interim financial statements of the Corporation comprise the Corporation and its subsidiaries. The principal business of the Corporation is the discovery, exploration and development of gold, silver and copper deposits primarily in Mexico.

The ability of the Corporation to continue as a going concern and the recoverability of amounts shown for exploration and evaluation assets are dependent upon the discovery of economically recoverable reserves, the ability of the Corporation to obtain necessary financing to complete exploration and development; and the future profitable production or proceeds from disposition of such properties. These condensed consolidated interim financial statements do not give effect to the adjustments necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These condensed consolidated financial interim statements are prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). These statements were prepared using the same accounting policies and methods of computation as the Company’s consolidated financial statements for the year ended September 30, 2013, except as noted in Note 3 below.

These condensed interim consolidated 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 Company’s audited consolidated financial statements for the year ended September 30, 2013 prepared in accordance with IFRS as issued by the IASB.

3. ACCOUNTING CHANGES AND RECENT PRONOUNCEMENTS

The Company adopted the following accounting standards and amendments to accounting standards, effective October 1, 2013:

a) Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements, replaces the consolidated financial statements section of IAS 27, Consolidated and Separate Financial Statements and SIC-12, Consolidation – Special Purposes Entities in its entirety. IFRS 10 establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities, regardless of the nature of relationship. The new standard introduces a revised definition of control, and provides additional guidance on how to apply the control principle in a number of situations. There was no impact on the Company’s consolidated financial statements upon the adoption of this standard.

b) Joint Arrangements

IFRS 11, Joint Arrangements, replaces IAS 31, Interests in Joint Ventures, and requires the Company to classify its interest in a joint arrangement as either a joint operation or a joint venture. For a joint venture, the Company will account for its interest in the net assets of the joint venture using the equity method of accounting. The Company will no longer have the option to proportionately consolidate its share of the net assets, revenues and expenses of joint ventures. There was no impact on the Company’s consolidated financial statements upon the adoption of this standard.

c) Disclosure of Interests in Other Entities

IFRS 12, Disclosure of Interests in Other Entities, outlines the disclosures required surrounding an entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities, to enable users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities, and the effects of those interests on its financial



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position, financial performance and cash flows. The requirements of IFRS 12 relate to disclosures only and are applicable for the first annual period after adoption. IFRS 12 does not require the disclosures to be included for periods that precede the first annual period for which IFRS 12 is applied. Therefore, any additional disclosures about interests in other entities that are required by this standard will be provided in the Company's consolidated financial statements for the year ended September 30, 2014.

d) Fair Value Measurement

IFRS 13, Fair Value Measurement, is a single source of fair value measurement guidance under IFRS. This new IFRS clarifies the definition of fair value, provides a clear framework for measuring fair value, and enhances the disclosures about fair value measurements. IFRS 13 is not only limited to financial instruments, but also applies to fair value measurement in other IFRS, such as impairment and employee future benefits. The Company's financial statements reflect the required disclosure.

e) Financial Instruments

IFRS 7, Financial Instruments: Disclosures and IAS 32, Financial Instruments: Presentation, were amended to address the issue of offsetting financial assets and financial liabilities in the financial statements. The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the balance sheet or that are subject to master netting arrangements or similar arrangements. There was no impact on the Company's consolidated financial statements upon adoption of this amendment.

f) Presentation of Financial Statements

IAS 1, Presentation of Financial Statements, was amended to revise the presentation of other comprehensive income, requiring entities to group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently, with subtotals for each group. The Company has updated the presentation of other comprehensive income on the face of the condensed interim consolidated statements of operations and comprehensive loss.

A number of new standards, and amendments to standards and interpretations under IFRS, are not yet effective for the year ending September 30, 2014, and have not been applied in preparing these condensed consolidated interim financial statements.

a) Financial instruments

IFRS 9, Financial Instruments, will replace IAS 39, Financial Instruments: Recognition and Measurement, and some of the requirements of IFRS 7, Financial Instruments: Disclosures. The objective of IFRS 9 is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. The IASB recently suspended the originally planned mandatory effective date of January 1, 2015 and at present the effective date has not been determined.

b) Levies

The IASB issued IFRIC 21, Levies in May 2013, which provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The Corporation intends to adopt IFRIC 21 in its financial statements for the annual period beginning October 1, 2014. The Corporation is not able at this time to estimate reliably the impact that the amendments will have on the financial statements.

c) Recoverable amount disclosures for non-financial assets



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In May 2013 the IASB issued amendments to IAS 36 to reverse the unintended requirement in IFRS 13 Fair Value Measurement, to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. The Corporation intends to adopt the amendments in its financial statements for the annual period beginning October 1, 2014. As the amendments impact certain disclosure requirements only, the Corporation does not expect the amendments to have a material impact on the financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

Cost	Furniture and Equipment	Development assets & construction in progress(Parral)	Total
At September 30, 2013	\$ 895,017	\$ 53,802,098	\$ 54,697,115
Acquired as part of the Animas asset acquisition (Note 8)	8,374	-	8,374
Additions	-	20,638,812	20,638,812
Foreign exchange adjustments	6,528	1,144,140	1,150,668
At March 31, 2014	<u>\$ 909,919</u>	<u>\$ 75,585,050</u>	<u>\$ 76,494,969</u>
Accumulated amortization			
At September 30, 2013	\$ 77,707	-	\$ 77,707
Amortization	26,587	-	26,587
Foreign exchange adjustments	3,959	-	3,959
At March 31, 2014	<u>108,253</u>	<u>-</u>	<u>108,253</u>
Carrying value			
At September 30, 2013	<u>\$ 817,310</u>	<u>\$ 53,802,098</u>	<u>\$ 54,619,408</u>
At March 31, 2014	<u>\$ 801,666</u>	<u>\$ 75,585,050</u>	<u>\$ 76,386,716</u>

Included in current year additions is capitalized interest of \$930,269 (2013 – NIL) related to the construction of the Parral Tailings project.

The Company has made commitments to acquire property, plant and equipment totaling \$8.2 million relating to the construction of the Parral Tailings project as of March 31, 2014.



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5. EXPLORATION AND EVALUATION ASSETS

	Exploration and Evaluation		
	Santa Gertrudis	San Diego	Total
Cost			
At September 30, 2013	\$ -	\$ 26,277,321	\$ 26,277,321
Acquired as part of the Animas asset acquisition	13,633,175	-	13,633,175
Additions	1,453,739	755,514	2,209,253
FX adjustments	147,626	1,096,951	1,244,577
At March 31, 2014	<u>15,234,540</u>	<u>28,129,786</u>	<u>43,364,326</u>
Carrying value			
At September 30, 2013	\$ -	\$ 26,277,321	\$ 26,277,321
At March 31, 2014	<u>\$ 15,234,540</u>	<u>\$ 28,129,786</u>	<u>\$ 43,364,326</u>

The Company acquired the Santa Gertrudis mine as part of the acquisition of Animas Resources Inc. on February 28, 2014. See Note 8 for further details on the acquisition. The Santa Gertrudis mine was discovered in 1986 and was in production from 1991 to 2000 when the mine ceased operations. Exploration work is ongoing on the project.

6. LONG TERM DEBT

The Company received the second tranche of USD \$15 million secured loan in February 2014 from Orion Mine Finance bearing interest at LIBOR plus 6.5%, repayable in equal quarterly instalments over a three-year period commencing in September 2014..

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:

	Six months ended March 31, 2014		Six months ended March 31, 2013	
	Shares	Ascribed value	Shares	Ascribed value
Balance, beginning of period	132,981,894	\$ 94,241,134	128,288,331	\$ 89,703,697
Shares issued for Animas shares	5,121,960	5,416,879	-	-
Shares issued for Animas warrants	664,881	990,673	-	-
Balance, end of period	<u>138,768,735</u>	<u>\$ 100,648,686</u>	<u>128,288,331</u>	<u>\$ 89,703,697</u>

On February 28, 2014 \$4,213,128 of cash was paid and 5,121,960 common shares of the Company were issued in exchange for the Animas Shares, and 664,881 common shares of the Company were issued in exchange for all of Animas's 12,500,000 outstanding share purchase warrants ("Animas Warrants"). Refer to Note 7 for further details on this transaction.



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(c) Escrowed shares

As of March 31, 2014, there were no common shares or incentive options held in escrow. Pursuant to the requirements of the TSX and the terms of the escrow agreements, the final 12,406,083 common shares and 447,500 incentive options were released on February 2, 2014.

(d) Finder's stock options

The changes in finder's options during the six month period were as follows:

	March 31, 2014		March 31, 2013	
	Number of finders options	Weighted average exercise price	Number of finders options	Weighted average exercise price
Opening balance	170,000	\$ 1.25	170,000	\$ 1.25
Closing balance	170,000	1.25	170,000	1.25
Exercisable	170,000	1.25	170,000	1.25

The 170,000 finder's options outstanding at March 31, 2014 expire on December 23, 2014.

(e) 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. 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. The vesting provisions are decided by the Board of Directors at the time of grant. For grants made in the past year, the options vest between two and three years from the date of grant.

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).

The changes in incentive stock options during the six month period were as follows:

	March 31, 2014		March 31, 2013	
	Number of incentive options	Weighted average exercise price	Number of incentive options	Weighted average exercise price
Opening balance	3,690,000	\$ 0.83	3,115,000	\$ 0.73
Granted	875,000	1.28	500,000	1.36
Expired	-	-	(50,000)	0.85
Closing balance	4,565,000	\$ 0.92	3,565,000	\$ 0.81
Exercisable	3,162,917	\$ 0.73	2,537,500	\$ 0.61

The following table summarizes information concerning outstanding and exercisable finder's and incentive stock options at March 31, 2014:



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Expiry date	Outstanding		Exercisable	
	Number of incentive options	Exercise price	Number of incentive options	Exercise price
December 23, 2014	170,000	\$ 1.25	170,000	\$ 1.25
February 7, 2015	325,000	1.53	325,000	1.53
February 12, 2015	1,200,000	0.10	1,200,000	0.10
July 26, 2015	150,000	0.30	150,000	0.30
February 15, 2016	80,000	0.80	80,000	0.80
July 8, 2016	835,000	0.90	835,000	0.90
August 20, 2017	325,000	1.54	243,750	1.54
September 17, 2017	150,000	1.60	112,500	1.60
October 9, 2017	350,000	1.40	116,667	1.40
March 1, 2018	150,000	1.26	100,000	1.26
May 16, 2018	125,000	1.30	-	-
December 9, 2018	450,000	1.00	-	-
February 12, 2019	100,000	1.50	-	-
March 17, 2019	325,000	1.60	-	-
	<u>4,735,000</u>	<u>0.93</u>	<u>3,332,917</u>	<u>0.76</u>

The compensation charge for the outstanding incentive stock options granted during the period was 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:

	Options granted October 9, 2012	Options granted March 1, 2013	Options granted December 6, 2013	Options granted February 12, 2014	Options granted March 17, 2014
Risk-free rate	1.25%	1.30%	1.82%	1.34%	1.31%
Expected volatility of the Corporation's share price	77.7%	72.0%	69.6%	63.1%	63.7%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Expected life of each option	3.5 years	5 years	5 years	3.5	3.5
Weighted average grant date fair value	\$0.72	\$0.73	\$0.50	\$0.67	\$0.70

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 Corporation has recorded total share based payments of \$198,652 (2013 - \$480,144) which has been recorded as compensation expense amounting to \$163,004 (2013- \$440,300) and as additions to exploration and evaluation assets of \$35,648 (2013 -\$39,844).

(f) Warrants

The Corporation issued 12,150,000 warrants in connection with an asset acquisition in July 2012. Each warrant is exercisable into one share at an exercise price of \$1.50 until January 24, 2015. The amount recorded in contributed surplus for the warrants was determined based on the fair value of the warrants at the date of issue using the Black-Scholes option pricing model.

The Corporation issued 2,000,000 warrants in connection with project financing in September 2013. Each warrant is exercisable into one share at an exercise price of \$1.50 USD until September 27, 2015. As these warrants were issued in a



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foreign currency, they met the definition of a derivative and are classified as a financial liability at fair value. They were remeasured at December 31, 2013 with an \$80,691 decrease and at March 31, 2014 with a \$402,000 increase to the liability and a corresponding adjustment to finance income. Key assumptions used to remeasure the liability were a risk free rate of 1.07%, expected volatility of 53%, expected dividend yield of 0%, and an expected life of 1.50 years resulted in a fair value of \$0.35 per warrant.

As at March 31, 2014, 14,150,000 warrants remained outstanding.

(g) Earnings per share

Basic earnings per share is calculated based on the weighted average number of shares outstanding during the period. Diluted earnings per share is based on the assumption that stock options and finder’s options have been exercised on the later of the beginning of the period and the date granted. As of March 31, 2014, 4,735,000 options (2013 – 3,735,000) and 14,150,000 (2013 – 12,150,000) warrants were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive.

8. ACQUISITION OF ANIMAS RESOURCES LTD.

On February 28, 2014, the Company acquired 60,187,546 common shares of Animas Resources Ltd. (“Animas” or the “Animas Shares”), representing approximately 81.74% of Animas’ issued and outstanding shares. The principal asset of Animas is a 100% interest in the Santa Gertrudis Property located in the Santa Teresa District, Cucurpe, Sonora State, Mexico. Each Animas shareholder received 0.0851 common shares of the Company and \$0.07 in cash for each Animas Share held. Cash of \$4,213,128 was paid and a total of 5,121,960 common shares of the Company were issued in exchange for the Animas Shares, and 664,881 common shares of the Company were issued in exchange for all of Animas’ 12,500,000 outstanding share purchase warrants (“Animas Warrants”).

On April 23, 2014, the Company acquired all the remaining 13,443,338 common shares of Animas under the same terms as the initial investment. Cash of \$941,034 was paid and a total of 1,144,020 common shares of the Company were issued to acquire the remaining Animas common shares. The Company also issued 5,319 common shares of the Company for all of the outstanding in-the-money options of Animas.

The transaction has been accounted for as a purchase of assets.

The total purchase price of the initial purchase on February 28, 2014 of \$12,956,501 was allocated to the assets acquired and the liabilities assumed based on the fair values of the net assets acquired.

The purchase price was calculated as follows:

Consideration paid	
Issuance of 5,121,960 common shares	\$ 5,416,879
Cash	4,213,128
Issuance of 664,881 common shares in exchange for Animas Warrants	990,673
Fair value of non-controlling interest	2,158,859
Transaction costs	242,070
Less: Cash and cash equivalents acquired	<u>(65,108)</u>
	<u>12,956,501</u>
Net assets acquired	
Current assets	\$ 16,053
Property and equipment	8,374
Mineral property	13,633,175
Current liabilities	<u>(701,101)</u>
	<u>12,956,501</u>



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Total purchase consideration was determined based on the market price of the 60,187,546 Animas common shares of \$0.16 that were acquired on the closing date. The share consideration issued in the transaction of \$5,416,879 was determined based on the total consideration, less the cash paid \$4,213,128, being \$0.07 for each Animas share acquired. The non-controlling interest has been measured at fair value at the acquisition date, based on the market price of the Animas shares of \$0.16 per share.

The price of the shares of Animas changed subsequent to the initial acquisition which resulted in a \$400,000 increase to mineral property and share capital after the non-controlling interest is eliminated.

There was no net loss or comprehensive income attributable to the non-controlling interest during the period.

9. INCOME TAXES

At the end of December 2013, the Mexican Government substantially enacted new tax legislation levying a new 7.5% Special Mining Duty (“SMD”) to the concession holder of mining companies effective January 1, 2014. This new tax is generally applicable to earnings before income tax, depreciation, depletion, amortization and interest on the San Diego and Santa Gertrudis mining projects. The SMD is deductible for income tax purposes. The Company has recognized a non-cash charge of \$2.0 million related to the deferred tax effect of the above tax changes. This tax does not apply to the Parral project as the Company is not the concession holder.

10. RELATED PARTY TRANSACTIONS

Included in general and administrative expense during the three and six month periods ended March 31, 2014 are insurance premiums amounting to \$49,415 and \$110,155 (2013 - \$26,711 and \$46,710) paid to a Corporation where a significant interest is owned by a director of the Corporation.

The transactions were in the normal course of operations and were measured at the exchange amounts, which are the amounts agreed to by the related parties.

11. FINANCIAL INSTRUMENTS

Fair values of financial instruments

The fair values of the Company’s financial instruments are considered to approximate the carrying amounts. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable or unobservable, as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are based on inputs which have a significant effect on fair value that are observable, either directly or indirectly from market data; and
- Level 3 inputs are unobservable (supported by little or no market activity).

The following table provides the disclosures of the fair value and the level in the hierarchy.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited – In Canadian dollars except share information)

	March 31, 2014			September 30, 2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets classified as loans and receivables:						
Cash and cash equivalents	19,086,052	-	-	31,114,102	-	-
Financial liabilities at amortized cost:						
Trade and other payables	-	4,128,890	-	-	1,628,987	-
Financial liabilities at fair value through profit and loss:						
Derivative liability	-	-	710,000	-	-	388,691

The Company does not have any financial assets or liabilities measured at fair value based on unobservable inputs (Level 3).

12. SEGMENTED INFORMATION

The Company’s reportable segments are consistent with the Company’s geographic regions in which the Company operates. In determining the Company’s segment structure, the Company considered the basis on which management reviews the financial and operational performance and whether any of the Company’s mining operations share similar economic, operational and regulatory characteristics. The Company aggregates the San Diego and Santa Gertrudis exploration projects and Parral Development project as the Mexico segment and the Company’s Canadian property and corporate offices as the Canadian segment.

The following tables present information about reportable segments:



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited – In Canadian dollars except share information)

For the three month period ended March 31, 2014:			
	Mexico	Canada	Total
Interest Revenue	\$ -	\$ 26,518	\$ 26,518
Depreciation	12,826	1,565	14,391
Segment net income (loss)	(64,361)	(2,011,665)	(2,076,026)
Expenditures on non-current assets	13,820,900	-	13,820,900
For the three month period ended March 31, 2013:			
Interest Revenue	\$ -	\$ 63,696	\$ 63,696
Depreciation	-	2,026	2,026
Segment net income (loss)	-	(1,557,183)	(1,557,183)
Expenditures on non-current assets	2,836,664	4,369	2,841,033
For the six month period ended March 31, 2014:			
Interest Revenue	\$ -	\$ 140,856	\$ 140,856
Depreciation	23,330	3,257	26,587
Segment net income (loss)	(103,517)	(4,897,950)	(5,001,467)
Expenditures on non-current assets	21,882,276	-	21,882,276
For the six month period ended March 31, 2013:			
Interest Revenue	\$ -	\$ 136,363	\$ 136,363
Depreciation	-	3,994	3,994
Segment net income (loss)	-	(2,311,429)	(2,311,429)
Expenditures on non-current assets	5,023,099	4,369	5,027,468
Reportable segment assets (March 31, 2014)	\$ 123,869,341	\$ 17,659,806	\$ 141,529,147
Reportable segment liabilities (March 31, 2014)	4,912,571	33,724,148	38,636,719
Reportable segment assets (September 30, 2013)	\$ 81,976,523	\$ 30,472,157	\$ 112,448,680
Reportable segment liabilities (September 30, 2013)	1,280,305	14,424,283	15,704,588

13. COMMITMENTS

The following table summarizes the minimum future financial commitments (in US\$) to keep the MDD and Coanzamex agreements in good standing:

	Fiscal year					
	2014	2015	2016	2017	2018	2019
Work commitments - San Diego	-	150,000	150,000	150,000	150,000	-
Minimum advance royalty and rent of land - Parral	240,000	938,000	938,000	938,000	938,000	768,000
Advance 12% royalty - Parral	338,800	-	-	-	-	-
Total	\$ 578,800	\$ 1,088,000	\$ 1,088,000	\$ 1,088,000	\$ 1,088,000	\$ 768,000