GoGold Resources Inc

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine month periods ended June 30, 2014

Date and Background

This discussion and analysis of financial position and results of operations is prepared as at August 13, 2014 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine month periods ended June 30, 2014 for GoGold Resources Inc. (the "Corporation" or "GoGold"). Those financial statements have been prepared, in Canadian dollars (except as otherwise disclosed), in accordance with International Financial Reporting Standards ("IFRS"). Additional information relevant to the Corporation's activities can be found on SEDAR at www.sedar.com.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Examples of such statements include the intention to complete an acquisition or disposition or financing transaction and the Corporation's plans for its mineral projects. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this document. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the ability of the Corporation to obtain necessary financing, satisfy conditions under any acquisition agreement, or satisfy the requirements of the Toronto Stock Exchange ("TSX") with respect to an acquisition; consumer interest in the Corporation's services and products; competition; and anticipated and unanticipated costs. The forward-looking statements contained in this document are made as of the date of this document and the Corporation does not undertake to update publicly or revise the forward-looking information contained in this document, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. These forward-looking statements should not be relied upon as representing the Corporation's views as of any date subsequent to the date of this document. Although the Corporation has attempted to identify factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements include exploration and development risks, the failure to establish estimated mineral resources or mineral reserves, volatility of commodity prices, variations of recovery rates and global economic conditions. The factors identified above are not intended to represent a complete list of the factors that could affect the Corporation. Additional factors are noted under "Risk Factors" in the Corporation's Annual Information Form for the year ended September 30, 2013, a copy of which may be obtained on the SEDAR website at www.sedar.com, as well as other continuous disclosure materials filed from time to time with Canadian securities regulatory authorities.

Any financial outlook or future-oriented financial information in this document, as defined by applicable securities legislation, has been approved by management of the Corporation as of the date of this document. Such financial outlook or future-oriented financial information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such outlook or information should not be used for purposes other than for which it is disclosed in this document.

Mr. Terence F. Coughlan, P.Geo, President and Chief Executive Officer of the Corporation, who is a qualified person as defined by National Instrument 43-101, *Standard of Disclosure for Mineral Projects*, is responsible for, and has reviewed and approved, the scientific and technical information contained in this document.

Overall Performance and Corporation Overview

The Corporation was incorporated under the *Canada Business Corporations Act* (the "CBCA") on January 18, 2008. The head office and the registered office of the Corporation are located at 2000 Barrington Street, Suite 1301, Cogswell Tower, Halifax, Nova Scotia, B3J 3K1. On January 22, 2010, the Corporation received final receipts for a prospectus dated January 20, 2010 and became a reporting issuer in the Provinces of British Columbia, Alberta, Nova Scotia and Ontario. The Corporation completed its initial public offering (the "Offering") on February 8, 2010 and had its common shares listed for trading on the TSX Venture Exchange ("TSXV") on February 12, 2010.

On April 13, 2011, the Corporation acquired 100% of Minera Dorango Dorado S.A. DE C.V., a Mexican Corporation, ("MDD"). MDD is a party to agreements to earn a 100-per-cent interest in several Mexican mining concessions in exchange for the following:

i. a first year payment of US$140,000 (which has been paid);
ii. a total work commitment in total for all MDD Claims for the first three years of US$900,000 and a total work commitment for years four through eight in total for all MDD Claims of US$2,650,000; and,
iii. prepayment of future royalties of US$130,000 per annum starting in year three and ending in year eight. The future royalties will be based on a payment of up to US$4.00 per ounce of gold equivalent NI 43-101 compliant mineable reserves ("Reserves"). Any royalty prepayments will be applied against the final royalty payment due. After year eight of the MDD Agreements, MDD has agreed to pay the current optioners of the MDD Claims a royalty of up to US$4.00 per ounce of any additional increase in Reserves after the end of year eight.
iv. MDD may exercise the option to acquire the MDD Claims at any time by paying the total minimum advance royalty or at the end of the eight year period provided all payments above have been made.

The MDD agreements, now referred to collectively as the San Diego project, are all in good standing and the commitments required to exercise the option to own 100% of the concessions are included in the table below.

On July 30, 2012, the Corporation closed the acquisition of 100% of Absolute Gold Holdings Incorporated ("Absolute"). Absolute owns the exclusive right to process 100% of the tailings material located at the Parral Tailings Project located in Chihuahua, Mexico, through its wholly-owned subsidiary Grupo Coanzamex S.A. de C.V., which is now a wholly-owned subsidiary of the Corporation.

The Parral Tailings Project comprises dry land tailings deposited from the historical Mina la Prieta silver and base metal mine. Please see the NI 43-101 compliant technical report entitled "National Instrument 43-101 Independent Technical Report on the Parral Tailings Project Chihuahua, Mexico held by Grupo Coanzamex S.A. de C.V. (Coanzamex) a Subsidiary of GoGold Resources Incorporated (GoGold)" dated February 20, 2013, prepared by David S. Dodd, B.Sc (Hon) FSAIMM, David R. Duncan, P.Geo and Ken Kuchling, P.Eng., ("Parral Prefeasibility Study") on SEDAR for a complete description of the project. As of the date of this document, construction is substantially complete, production has commenced and commissioning of equipment and processes is underway.

On January 14, 2013, the Corporation obtained conditional approval to list its common shares (the "Common Shares") on the Toronto Stock Exchange (the "TSX") under the symbol "GGD" and on January 22, 2013, the Corporation's Common Shares began trading on the TSX.

On April 23, 2014, the Corporation successfully completed the acquisition whereby GoGold acquired 100% of the issued and outstanding securities of Animas Resources Ltd. ("Animas"). The Corporation issued a total of 6,936,180 common shares and paid $5,154,162 in cash to acquire the securities.

The primary asset acquired in the Animas transaction is the Santa Gertrudis past producing gold mine. The Corporation recently completed a NI 43-101 compliant resource report on the project which calculated

Indicated Resources of 16.4 million tonnes at a grade of 1.16 g/t gold for a total of 609,600 ounces of gold and Inferred Resources of 4.5 million tonnes at a grade of 0.97 g/t gold for a total of 141,400 ounces of gold. The Corporation is preparing a Preliminary Economic Assessment ("PEA") of the project using the resource report and expects completion in the next several weeks.

The following table summarizes the minimum future financial commitments (in US$) as of the date of this document to keep the Parral Tailings project, the Santa Gertrudis project and the MDD Agreements in good standing:

	Fiscal year					
	2014	2015	2016	2017	2018	2019
Work commitments - San Diego	-	328,000	328,000	328,000	328,000	-
Minimum advance royalty and rent of land - Parral	90,000	760,000	760,000	760,000	760,000	760,000
Work commitments - Santa Gertrudis (land owners)	530,715	-	-	-	-	-
Work commitments - Santa Gertrudis (ejido)	115,635	38,545	38,545	38,545	38,545	38,545
Total	$ 736,350	$ 1,126,545	$ 1,126,545	$ 1,126,545	$ 1,126,545	$ 798,545

Summary of Quarterly Results (in $)

	Revenue	Expenses	Net Loss	Working Capital	Total Assets	Shareholder Equity	Loss per Share
June 30, 2014	**-**	**685,094**	**376,178**	**1,580,328**	**152,747,897**	**111,126,819**	**.01**
March 31, 2014	**-**	**696,555**	**1,272,969**	**10,289,734**	**142,459,416**	**103,822,697**	**-**
December 31, 2013	**-**	**758,614**	**2,925,443**	**17,535,550**	**113,110,800**	**94,677,601**	**.02**
September 30, 2013	**-**	**728,009**	**700,412**	**28,672,964**	**112,448,680**	**96,744,092**	**.01**
June 30, 2013	**-**	**684,609**	**630,882**	**15,284,887**	**93,797,989**	**93,492,710**	**.01**
March 31, 2013	**-**	**1,620,879**	**1,557,183**	**18,265,551**	**94,635,205**	**94,277,442**	**.01**
December 31, 2012	**-**	**826,913**	**754,245**	**21,730,823**	**94,993,318**	**94,697,439**	**.01**
September 30, 2012	**-**	**722,414**	**722,414**	**24,495,431**	**96,040,317**	**95,183,786**	**.01**

Note: Fully diluted loss per share equals Loss per Share

Results of Operations

The Corporation has completed the majority of construction on the Parral Tailings Project as of June 30, 2014 and is working on commissioning equipment and processes, with commercial production expected to be achieved in the first quarter of fiscal 2015. The Corporation completed the acquisition of Animas on April 23, 2014 and published the results of a resource report on June 17, 2014. A PEA is currently underway which is expected to be complete in Q4 of fiscal year 2014. The Corporation is also carrying out a minimal amount of exploration on the San Diego property while focusing on Parral and Santa Gertrudis.

During the three and nine month periods ended June 30, 2014 and 2013, the Corporation incurred general and administrative costs of $456,256 and $1,388,107 compared to $467,720 and $1,615,552 in the prior periods. The decrease in the nine month period is primarily a result of a lower non-cash stock based compensation expense of $237,676 in the current period versus $579,459 in the prior period. Regulatory costs were $27,425 and $173,025 in the three and nine month periods ended June 30, 2014 compared to $62,997 and $142,249 in the prior periods. The reason for the three month period decrease but nine month increase is the Corporation paying additional listing fees to the TSX in Q1 and Q2 of the current fiscal year. Marketing and public relations costs were $201,413 and $659,865 in the three and nine month periods ended June 30, 2014 compared to $153,892 and $659,501 in the prior periods. The increase in the three month figure was due to increased marketing efforts as a result of the early warrant exercise incentive program and completion of construction at Parral. In the prior period ended June 30, 2013, the Corporation incurred an impairment charge equal to the entire value of the Rambler project in Newfoundland as the Corporation had suspended work on the project and deferred plans for the future of the project. The amount of the impairment charge was $715,098. There were no impairment charges in the three and nine month periods ended June 30, 2014.

The Corporation incurred a foreign currency gain during the three and nine month periods ended June 30, 2014 of $1,093,802 and $989,485 (2013 – $nil and $nil) which is the net effect of translating the long term debt owed to Orion denominated in US dollars and the US dollar cash balances to Canadian dollars. The Corporation also recorded a gain on derivative liability, which represents the change in the fair value of the US dollar warrants, of $42,000 and a loss for the nine month period of $279,309 (2013 - $nil and $nil) due to fluctuations in the price of the Corporation's common shares trading on the TSX Exchange during the previous nine months together with the gradual decreasing term remaining until the warrants expire on September 27, 2015. The Corporation also recorded a charge of $826,886 as a result of the early warrant exercise incentive program in the three and nine months ended June 30, 2014 (2013 - $nil and $nil). This value is the ascribed value of the incentive offered to all warrant holders to participate in the program. The fair market value of the incentive was determined using the Black-Scholes option pricing model. The Corporation offered warrant holders an additional 0.1 share for every warrant exercised within the program period (see the Outstanding Share Data section for more information).

As a result of new tax legislation enacted by the Mexican Government, in the future the Company will not be permitted to deduct prior capital expenditures on the San Diego exploration project and therefore has recorded a deferred tax liability of $nil and $2,032,724 in the three and nine month periods ended June 30, 2014 (2013 - $nil and $nil) associated with these assets. This tax does not apply to the Parral project as the Company is not the concession holder.

These net expenses resulted in a net loss prior to other comprehensive income for the three and nine months ended June 30, 2014 of $376,178 and $4,370,431 (2013 - $630,882 and $2,942,311).

The Corporation realized a loss on foreign currency translation differences arising on translation of foreign subsidiaries of $1,249,911 and a gain of $1,035,645 in the three and nine month periods ended June 30, 2014 (2013 – loss of $312,744 and a gain of $612,197). The increase is due to the fluctuations of the value of the Canadian dollar in foreign currency markets during the current periods and the increased value of the installed improvements on the Parral project. These amounts were classified as other comprehensive income.

The above resulted in a total comprehensive loss for the three and nine month periods ended June 30, 2014 of $1,626,089 and $3,334,786 (2013 – $943,626 and $2,330,114).

The Corporation's cash used in operations was $3,445,914 during the nine months ended June 30, 2014 and $2,023,786 during the prior period. The increase is due to the increased level of business activity as a result of Parral construction, the Corporation's completion of the acquisition of Animas Resources Ltd. and initiation of the early warrant exercise incentive program.

Cash used in investing activities amounted to $41,050,171 in the nine months ended June 30, 2014 (2013 - $7,582,695). The total figure is comprised of $3,598,785 in resource property expenditures on the San Diego and Santa Gertrudis projects (2013 - $7,496,375), cash consideration on the Animas asset purchase of $5,352,194 (2013 - $nil) and purchase of property, plant and equipment amounting to $32,099,192 (2013 - $86,320). Property, plant and equipment expenditures are primarily those incurred during the construction of the Parral project as described in more detail below.

Cash provided by financing activity in the nine months ended June 30, 2014 was $25,483,627 (2013 - $nil). This amount represents receipt of the second tranche of the Orion financing for $16,523,002 and proceeds from the exercise of warrants of $8,960,625.

The above resulted in the Corporation's cash balance being reduced from $31,114,102 at September 30, 2013 to $12,987,980 at June 30, 2014. Total current assets were similarly reduced from $31,551,951 on September 30, 2013 to $19,586,152 on June 30, 2014. Included in current assets is supply inventory of $315,344 (2013 - $nil) which represents spare parts and supplies at Parral.

Total non-current assets, consisting of property, plant and equipment and exploration and evaluation assets increased from $80,896,729 on September 30, 2013 to $133,161,745 on June 30, 2014 as a result of expenditures at Parral of $34,113,691, the acquisition of Animas valued at $13,633,175, exploration expenditures on the Santa Gertrudis project of $2,845,987 and on the San Diego project of $752,798. In addition, there were foreign exchange adjustments to exploration and evaluation assets totaling $839,640 for the period.

Current liabilities increased from $2,878,987 on September 30, 2013 to $18,005,824 on June 30, 2014 due to an increase in trade and other payables from $1,628,987 to $6,869,451 as a result of the increased activity during the construction and commissioning of Parral. In addition, the current portion of long term debt increased from $1,250,000 on September 30, 2013 to $11,136,373 as principal and interest payments on the debt are to begin September 30, 2014.

Long term liabilities consisting of long term debt, derivative liability and income taxes increased from $12,825,601 at September 30, 2013 to $23,615,254 at June 30, 2014. The increase is comprised of long term debt rising to $20,881,253 on June 30, 2014 from $12,421,726 on September 30, 2013 as a result of the receipt of the second tranche of the Orion financing which totaled US$15,000,000, with the difference due to the transition to the current portion of long term debt. Also contributing to the increase was the growth in the amount of the derivative liability from $388,691 on September 30, 2013 to $668,000 on June 30, 2014 due to GoGold's rising share price, and the increase in deferred income tax to $2,066,001 on June 30, 2014 from $15,184 on September 30, 2013 for reasons outlined above.

Total equity increased from $96,744,092 on September 30, 2013 to $111,126,819 on June 30, 2014 due to the operating results and comprehensive loss recorded in the current period, the acquisition of Animas during the current period and the exercise of warrants which resulted in an increase to share capital from $94,241,134 on September 30, 2013 to $115,881,229 on June 30, 2014 and a reduction in contributed surplus from $10,477,976 on September 30, 2013 to $6,958,747 on June 30, 2014 due to the exercise of warrants.

Exploration Activities

During the three and nine month periods ended June 30, 2014, both the San Diego project and Santa Gertrudis projects were classified as exploration projects.

Expenditures on the Santa Gertrudis project were $2,845,987 for the nine month period ending June 30, 2014 (2013 - $nil). Work was comprised of data compilation, field and site work, geological consulting and confirmation drilling and sampling. The Corporation has completed an independent NI 43-101 resource report and has contracted with the same independent party to complete a PEA which is expected to be complete in the next several weeks. There was also a positive foreign exchange adjustment of $104,752 on the project during the current period (2013 - $nil).

The carrying value of the Santa Gertrudis project is $16,583,914 at June 30, 2014 (September 30, 2013 - $nil).

The Corporation has contracted with an independent party to complete a PEA on the Santa Gertrudis project and intends to progress to construction assuming a positive final report is received.

Expenditures on the San Diego project totalled $752,798 in the nine month period ended June 30, 2014 (2013 - $4,433,488). The Corporation has reduced expenditures this year on the San Diego project while Parral is in the construction and commissioning phase and to preserve cash. In addition, there was a $734,888 foreign exchange gain associated with the San Diego project in the current period versus $648,626 in the prior period which are included in other comprehensive income for the respective periods.

The carrying value of the San Diego project as of June 30, 2014 was $27,765,007 versus $26,277,321 as of September 30, 2013.

The San Diego Property is an exploration project that is currently in the discovery stage. As a result of the current state of capital markets and commodity prices as well as the Corporation's shift in focus as described above, exploration expenditures on the San Diego Property slowed during the year and are expected to remain below 2013 levels for the remainder of fiscal 2014. Depending on cash resources, the priorities for the San Diego Property are to outline a resource at both the San Diego South and Las Europas areas.

Property Plant and Equipment

On September 30, 2013, the Parral project balances were transferred to property, plant and equipment. During the current nine month period, additions totaled $34,113,691 (2013 - $3,102,752, while still classified as an exploration project). The current additions were comprised of construction costs for the Parral project as well as $1,856,684 of capitalized interest on the Orion loan facility versus the prior period additions being survey, drilling and site work and technical and professional expenditures. In the current period there was also foreign exchange adjustment of $113,297 (2013 - $nil). The change was due to the weakness in the Canadian dollar during the last nine months. The Corporation also acquired $8,374 net book value of furniture and equipment as a result of the Animas transaction.

Carrying value for the Parral project as of June 30, 2014 was $88,021,275 versus $53,802,098 as of September 30, 2013. In addition, the Corporation's carrying value of all furniture and equipment was $791,549 on June 30, 2014 versus $817,310 on September 30, 2013.

Parral Project

The Corporation announced on February 21, 2013 that it had completed the Parral prefeasiblity study on its Parral tailings project in Chihuahua state, Mexico, which defined a reserve of 35 million silver-equivalent ounces and a pretax internal rate of return of 80 percent (dollar amounts are in U.S. dollars). The study projects an initial capital cost of $35-million and a life of mine (LOM) of 12 years with an average annual production of 1.8 million silver-equivalent ounces (1.2 million ounces of silver and 11,000 ounces of gold). The mine production is planned at 5,000 tonnes per day on a conventional heap leach with a sustaining capital of $27.5-million over LOM. The Parral prefeasibility study was prepared by the MDM Group of South Africa, in accordance with the requirements of National Instrument 43-101.

The study includes a LOM reserve average silver grade of 38.4 grams per tonne silver and 0.31 g/t gold, and a recovery of 58 per cent for silver and 64 per cent for gold. Cash operating cost for silver of $6.48 an ounce using gold as a byproduct credit were included in the report. This project as outlined in the prefeasibility study has a pretax IRR of 80 per cent, with pretax net cash flow of $230-million and a pretax net present value of $159-million using a 5-per-cent discount rate. The study is based on a gold and silver price of $1,475 (U.S.)/ounce gold and $29 (U.S.)/ounce silver. Based on the study, payback for the project is expected in the first 16 months of production. A full copy of the study may be obtained on the SEDAR website at www.sedar.com.

Project construction is virtually complete and commissioning has commenced. The project construction is on time and is expected to be on or under budget. Pictures of the project are available on our website located at www.gogoldresources.com. The Corporation began shipping dore bars to a refiner in July.

As of the end of June 2014, the Corporation had 34,697 tonnes stacked on the heap leach pad under irrigation. Commissioning is progressing as expected with a commissioning consultant onsite assisting with the commissioning process.

In addition, the Corporation has also contracted for various production inputs on a more favourable basis than in the pre-feasibility study. Concrete, cyanide, trucking, electricity have all been secured at a lower cost than assumed in the study. All key employees have been hired for the Parral team at labour rates consistent with the pre-feasibility study, and overall operating costs are expected to be lower than what was in the initial pre-feasibility study. Cost metrics will become more evident as the Corporation enters into commercial production which is planned for Q1 of fiscal 2015.

On September 30, 2013, the Corporation closed a $35-million (U.S.) debt and equity financing with Orion Mine Finance Fund I (the "Orion Financing").

Orion Mine Finance Fund I ("Orion"), provided $30-million (U.S.) in senior secured debt in two tranches. The first tranche of $15,000,000 (U.S.) was received in September 2013 and the second tranche of $15,000,000 (U.S.) was received in February 2014. The debt bears interest at London interbank offered rate (LIBOR) plus 6.5 per cent, repayable in equal quarterly instalments over a three-year period commencing in September, 2014. Net proceeds were used to finance the development and construction of the Parral project and for working capital purposes.

In addition, on the closing date, Orion purchased 4,693,563 common shares of the Corporation through a non-brokered private placement for gross aggregate proceeds of $5-million (U.S.), representing a purchase price of approximately $1.103 (Canadian) per common share, which is a 5-per-cent premium to the volume-weighted average share price of the common shares on the Toronto Stock Exchange for the 20 trading days ended September 13, 2013. Orion also received two million common share purchase warrants. Each whole warrant will entitle Orion to acquire one common share at a price of US$1.50 for a period of two years from the closing date. The common shares and the warrants, and the common shares issuable on exercise of the warrants, are subject to a four-month hold period from the closing date.

Orion will have the right to purchase additional common shares and/or participate in future securities offerings by the Corporation in order to maintain its ownership share.

The Corporation and Orion also entered into a definitive off-take agreement, together with the Corporation's indirect wholly owned subsidiary, Grupo Coanzamex SA de CV. Under the off-take agreement, Coanzamex has agreed to sell and Orion has agreed to purchase all of the refined gold and refined silver produced from the Parral tailings project, up to an aggregate of 150,000 ounces of refined gold and 15 million ounces of refined silver. As part of the offtake agreement, Orion has a look back window and depending on volatility of commodity prices, management estimates this to represent a 1.5 – 3.0% reduction in the realized sale price of metal produced at Parral.

Liquidity and Capital Resources

At June 30, 2014, the Corporation had cash of $12,987,980 (September 30, 2013 - $31,114,102).

At June 30, 2014, the Corporation had working capital of $1,580,328 (September 30, 2013 - $28,672,964). As the Parral project is nearing commercial production, it is expected that this project will begin to generate cash flow shortly, which will aide in improving the working capital position of the Company. The majority of the cash flow outlays related to the construction of the project have been completed, and the sale of dore bars produced from the project is expected in Q4 fiscal 2014, offsetting any additional commissioning costs required. The Santa Gertrudis gold mine project may require additional capital and the Corporation is investigating alternatives to raise additional debt for construction after the PEA is released. The ability of the Corporation to raise the necessary funds cannot be guaranteed.

Off-Balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements.

Transactions with Related Parties

Included in general and administrative expense during the three and nine month periods ended June 30, 2014 are insurance premiums amounting to $40,393 and $84,695 (2013 - $24,212 and $70,922), as well as premiums of $25,397 and $98,500 (2013 - $nil and $nil) included in development assets. These amounts were 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.

Critical Accounting Estimates and Significant Accounting Policies

a) Foreign currency

i) Foreign currency transactions

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

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for: exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from cumulative translation account to profit or loss on repayment of the monetary items.

ii) Foreign operations

The results and financial position of all the Corporation's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- shareholders' equity and intercompany loans are translated at historical rates of exchange;
- assets and liabilities are translated at the closing rate at the date of the statement of financial position;
- income and expenses for each income statement presented are translated at monthly average exchange rates; and
- all resulting exchange differences are recognized within Accumulated Other Comprehensive Income ("AOCI") which is a separate component of equity.

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

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

b) Exploration and evaluation assets:

Management is required to apply judgement in determining whether technical feasibility and commercial viability can be demonstrated for resource properties. Once technical feasibility and commercial viability of a resource property can be demonstrated, exploration costs will be reclassified to property, plant and equipment and subject to different accounting treatment. As at September 30, 2013, the Parral Tailings project was determined to be development stage and has been reclassified to property, plant and equipment.

Recent accounting 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 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.

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 the 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.

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

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.

d) Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for fiscal years ending on or after December 31, 2017 and is available for early adoption. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

Financial Instruments and Other Risks

The Corporation's financial instruments consist of cash, deposits, accounts payable, accrued liabilities and long term debt. The fair market value of these financial instruments approximates their carrying values, unless otherwise noted. For the purposes of determining fair value of its financial instruments, the Corporation classifies the inputs at a Level 1 measurement, where inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

As described above, the Corporation incurred a foreign currency loss arising from translation of foreign subsidiaries during the three and nine months ended June 30, 2014 of $1,249,911 and a gain of $1,035,645 (2013 – loss of $312,744 and a gain of $612,197). The large loss in the current period is due to the significant fluctuations of the Canadian dollar versus the US Dollar and Mexican Peso during the current periods impacting the translation of the carrying value of the related assets. These amounts were recorded under other comprehensive income for the periods.

Development and exploration of resource properties involves risks, many of which are outside the Corporation's control. At this stage in the Corporation's development it relies on equity and debt financing for the funds to explore its property and potentially develop any resource that may be found. Future financing could be affected by many factors outside the Corporation's control such as market or commodity price changes and general economic conditions. With the exception of the Parral tailings project, the Corporation may not have sufficient funds from its current financial resources to put any resource in commercial production. There is no assurance such financing will be available to the Corporation when required, or that it will be available on acceptable terms.

Additional detail on risks and uncertainties is discussed in the Corporation's Annual Information Form dated December 31, 2013, a copy of which may be obtained on the SEDAR website at www.sedar.com, as well as other continuous disclosure materials filed from time to time with Canadian securities regulatory authorities.

Outstanding Share Data

As at June 30, 2014, the Corporation had a total of 146,489,199 common shares issued and outstanding with a recorded value of $115,881,229. Comparative figures for September 30, 2013 were 128,288,331 and $94,241,134.

The Corporation initiated an early warrant exercise incentive program for the common share purchase warrants exercisable for common shares of the Corporation which were issued on July 27, 2012 in connection with the Company's acquisition of Absolute. The program took place between June 24, 2014 and July 4, 2014.

Warrants exercised during that period entitled the holder to acquire 1.1 Common Shares upon the exercise of each warrant at the exercise price of $1.50 per warrant. Warrants not exercised during the period will continue to entitle the holder to acquire one common share at the exercise price of $1.50 until January 24, 2015 in accordance with its terms and the terms of the warrant indenture.

Prior to June 30, 2014, there were a total of 5,973,750 warrants exercised pursuant to the early warrant exercise program which resulted in proceeds of $8,960,625 to the Corporation and the issuance of 6,571,125 common shares. Subsequent to June 30, 2014, there were a total of 114,210 warrants exercised as part of the early warrant exercise program which resulted in proceeds of $171,315 to the Corporation and the issuance of 125,631 common shares. In addition, on July 24, 2014, certain officers and directors of the Corporation exercised options which resulted in proceeds to the Corporation of $120,000 and the issuance of 1,200,000 common shares.

As of the date of this document, the Corporation has 147,814,830 common shares outstanding and 159,411,870 fully diluted.

Commitments

As at June 30, 2014, the Corporation had commitments to acquire plant and equipment relating to the Parral Tailing project of $2.9 million.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

There have been no material changes in the Corporation's internal control over financial reporting during the quarter ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

Events After the Reporting Period

The exercise of warrants after June 30, 2014 up to the date of this document resulted in total proceeds to the Corporation of $171,315 and the issuance of 125,631 common shares. The exercise of options resulted in proceeds to the Corporation of $120,000 and the issuance of 1,200,000 common shares.

Future Outlook

Given the current state of the capital markets and commodity prices, the Corporation intends to focus on completing process and equipment commissioning and achieving commercial production at Parral. Simultaneously, the Corporation intends on completing the PEA on the Santa Gertrudis project. Immediately thereafter, assuming positive results, the Corporation intends to move as quickly as possible to finance and construct facilities to put the Santa Gertrudis mine back into production. As well, the Corporation intends to continue investigating projects that meet our criteria of being advanced, capable of producing at a low all-in cost and of being developed in a short time frame.

Other Information

Additional information regarding the Corporation, including the Corporation's Annual Information Form dated December 31, 2013, is available on SEDAR at www.sedar.com.

Dated: August 13, 2014