GoGold Resources Inc

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED

SEPTEMBER 30, 2014 AND 2013

(in Canadian Dollars unless stated otherwise)

KPMG LLP
Chartered Accountants
Suite 1500 Purdy's Wharf Tower 1
1959 Upper Water Street
Halifax, NS B3J 3N2
Canada

Telephone (902) 492-6000
Fax (902) 492-1307
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of GoGold Resources Inc.

We have audited the accompanying consolidated financial statements of GoGold Resources Inc., which comprise the consolidated statements of financial position as at September 30, 2014 and September 30, 2013, the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of GoGold Resources Inc. as at September 30, 2014 and September 30, 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

December 22, 2014
Halifax, Canada

GoGold Resources Inc

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in Canadian dollars)

	September 30 2014	September 30 2013
ASSETS		
Current assets:		
Cash	**$ 3,820,877**	$ 31,114,102
Trade receivables	**1,442,933**	-
Input tax recoverable	**5,604,887**	341,354
Prepaid expenses	**1,627,637**	96,495
Inventories (Note 6)	**1,689,751**	-
	14,186,085	31,551,951
Non-current assets:		
Property, plant and equipment (Note 7)	**90,793,356**	54,619,408
Exploration and evaluation assets (Note 8)	**45,955,846**	26,277,321
Total assets	**$ 150,935,287**	$ 112,448,680
LIABILITIES		
Current liabilities:		
Trade and other payables	**$ 3,193,220**	$ 1,628,987
Income taxes payable (Note 12)	**150,056**	-
Derivative liability (Note 10)	**669,000**	-
Current portion of long term debt (Note 9)	**14,611,924**	1,250,000
	18,624,200	2,878,987
Non-current liabilities:		
Long term debt (Note 9)	**19,257,689**	12,421,726
Derivative liability (Note 10)	**-**	388,691
Provision for site restoration (Note 11)	**1,650,000**	-
Deferred income taxes (Note 12)	**2,214,022**	15,184
Total liabilities	**41,745,911**	15,704,588
EQUITY		
Share capital (Note 10)	**116,389,552**	94,241,134
Contributed surplus	**6,887,419**	10,477,976
Accumulated other comprehensive income (loss)	**1,256,003**	(241,670)
Deficit	**(15,343,598)**	(7,733,348)
Total equity	**109,189,376**	96,744,092
Total liabilities and equity	**$ 150,935,287**	$ 112,448,680

Commitments (Note 16)

Subsequent event (Note 17)

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

See accompanying notes to the consolidated financial statements.

GoGold Resources Inc

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(in Canadian dollars)

Years ended	**September 30 2014**	September 30 2013
Expenses		
General and administrative	**$ 1,988,270**	$ 2,193,547
Regulatory	**179,536**	221,347
Marketing and public relations	**973,806**	730,418
Impairment (Note 8)	**-**	715,098
	3,141,612	3,860,410
Other income (loss)		
Finance income	**-**	232,872
Loss on derivative liability	**(280,309)**	-
Warrant incentive program (Note 10)	**(826,886)**	-
Foreign exchange loss	**(657,926)**	-
	(1,765,121)	232,872
Current income tax (Note 11)	**150,056**	-
Deferred income tax (Note 11)	**2,150,108**	15,184
Net loss for the year	**$ 7,206,897**	**$ 3,642,722**
Items which may subsequently be cycled through profit or loss:		
Foreign currency translation differences arising on translation of foreign subsidiaries	**(1,497,673)**	52,897
Total comprehensive loss for the year	**$ 5,709,224**	**$ 3,695,619**
Loss per share basic and fully diluted (Note 10)	**$ 0.04**	$ 0.03
Weighted average number of common shares outstanding (Note 10)	**138,890,460**	128,326,908

See accompanying notes to the consolidated financial statements.

GoGold Resources Inc

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in Canadian dollars)

Years ended	**September 30 2014**	September 30 2013
Cash provided by (used in) the following activities:		
Operating activities		
Net loss for the year	**$ (7,206,897)**	$ (3,642,722)
Items not involving cash		
Stock based compensation	**308,887**	640,894
Impairment charge	**-**	715,098
Deferred Taxes	**2,150,108**	15,184
Depreciation	**53,626**	31,348
Loss on derivative liability	**280,309**	-
Warrant incentive expense	**826,886**	-
Foreign exchange loss	**657,926**	-
Net change in non-cash working capital	**(8,989,799)**	958,666
Net cash used in operating activities	**(11,918,954)**	(1,281,532)
Investing activities		
Exploration and evaluation expenditures	**(4,951,462)**	(10,212,451)
Net cash consideration on Animas acquisition (Note 5)	**(5,331,124)**	-
Purchase of property, plant and equipment	**(31,833,295)**	(717,672)
Net cash used in investing activities	**(42,115,881)**	(10,930,123)
Financing activities		
Proceeds from senior secured debt (Note 9)	**16,523,002**	13,671,726
Proceeds on exercise of warrants (Note 10)	**9,156,240**	-
Proceeds on exercise of options (Note 10)	**120,000**	-
Proceeds on issuance of warrants in financing arrangement (Note 10)	**-**	388,691
Issuance of common shares (net of share issuance costs)	**-**	4,537,437
Net cash provided by financing activities	**25,799,242**	18,597,854
Net (decrease) increase in cash and cash equivalents	**(28,235,593)**	6,386,199
Foreign exchange impact on cash	**942,368**	-
Cash and cash equivalents, beginning of year	**31,114,102**	24,727,903
Cash and cash equivalents, end of year	**$ 3,820,877**	$ 31,114,102

See accompanying notes to the consolidated financial statements

GoGold Resources Inc

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in Canadian dollars)

	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	-		-		-		-		(3,642,722)		-		(3,642,722)
Other comprehensive income	-		-		-		(52,897)		-		-		(52,897)
Stock-based compensation (Note 10)	-		-		718,488		-		-		-		718,488
Shares issued for cash (net of costs) (Note 10)	4,693,563		4,537,437		-		-		-		-		4,537,437
Balance at September 30, 2013	132,981,894	$	94,241,134	$	10,477,976	$	(241,670)	$	(7,733,348)	$	-	$	96,744,092
Balance at October 1, 2013	132,981,894	$	94,241,134	$	10,477,976	$	(241,670)	$	(7,733,348)	$	-	$	96,744,092
Net Loss	-		-		-		-		(7,206,897)		-		(7,206,897)
Other comprehensive income	-		-				1,497,673		-		-		1,497,673
Stock-based compensation (Note 10)	-		-		447,076		-		-		-		447,076
Warrant incentive program (Note 10)	-		-		826,886		-		-		-		826,886
Warrant exercise (Note 10)	6,712,956		13,908,966		(4,773,797)		-		-		-		9,135,169
Option exercise	1,200,000		210,722		(90,722)		-		-		-		120,000
Acquisition of Animas Resources (Note 5)	5,786,841		6,407,552		-		-		-		2,158,859		8,566,411
Acquisition of NCI in Animas (Note 5)	1,149,339		1,621,178		-		-		(403,353)		(2,158,859)		(941,034)
Balance at September 30, 2014	147,831,030	$	116,389,552	$	6,887,419	$	1,256,003	$	(15,343,598)	$	-	$	109,189,376

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS

GoGold Resources Inc. (the "Corporation") is a company domiciled in Canada. The address of the Corporation's registered office is #1301-2000 Barrington Street, Cogswell Tower, Halifax, Nova Scotia, B3J 3K1. The Corporation's common shares are listed on the Toronto Stock Exchange trading under the symbol GGD. The consolidated 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 consolidated financial statements do not give effect to the adjustments necessary to the carrying values and classification of assets and liabilities should the Corporation be unable to continue as a going concern.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (''IASB'').

These financial statements were approved by the Board of Directors on December 22, 2014.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

Items included in the financial statements of each of the Corporation's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of GoGold Resources Inc.

c) Use of estimates and judgments

The preparation of the financial statements requires the Corporation's management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Judgement is used mainly in determining whether a balance or transaction should be recognized in the consolidated financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. However, judgement and estimates are often interrelated. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Asset acquisitions:
The Corporation applies judgement in determining whether the exploration and evaluation assets it acquires are considered to be asset acquisitions or business combinations. Key factors in this determination are whether reserves have been established; whether the project is capable of being managed as a business by a market participant, and the nature of the additional work to convert resources into reserves. The Corporation has considered all exploration and evaluation assets acquired to date to be asset acquisitions.

Commercial production:
The Corporation makes judgements about which indicators to consider when evaluating whether a project has reached commercial production, which may impact the timing and amount of depreciation and depletion, the amount of revenue recognized, as well as operating expenses recognized.

Estimate of recoverability for non-financial assets:
Events or changes in circumstances may give rise to significant impairment charges or reversals of impairment in a particular year. In accordance with the Corporation's accounting policy, each non-financial asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognized to the extent that carrying amount exceeds recoverable amount. The recoverable amount of an asset or cash generating unit is measured at the higher of fair value less costs to sell and value in use.

Value in use is generally determined as the present value of the estimated future cash flows, but only those expected to arise from the continued use of the asset in its present form and its eventual disposal. Present values are determined using a risk-adjusted tax-discount rate appropriate to the risks and inherent in the asset.

Future cash flow estimates are based on expected production and sales volumes, mineral prices (considering current and historical prices, price trends and related factors), resources, operating costs, restoration and rehabilitation costs and future capital expenditures.

Exploration and evaluation assets:
Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for 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 (refer to note 8).

Inventory – ore in process:
The Corporation makes estimates of gold and silver recoverable from ore stacked on leach pads in the determination of ore in process inventory. The quantities of recoverable gold and silver placed on the leach pads are reconciled to the quantities of gold and silver actually recovered (metallurgical balancing), by comparing the estimate of contained ounces placed on the leach pads to actual ounces recovered. The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time. The ultimate recovery of gold and silver from a pad will not be known until the leaching process is completed. Leach pad recovery estimates are used in the determination of the Corporation's inventories.

Inventory – valuation:
The Corporation values inventory at the lower of cost and net realizable value. The calculation of net realizable value relies on forecasted gold prices, forecasted exchange rates, and estimated costs to complete the processing of ore inventory.

Provisions for site restoration:
The Corporation makes estimates for the timing and amount of future cash flows required to settle the Corporation's reclamation provisions. These estimates require extensive judgement about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices. In view of uncertainties concerning environmental rehabilitation, the ultimate costs could be materially different from the amounts estimated.

Share-based payments:
The Corporation issues equity-settled share-based payments to certain employees and third parties outside the Corporation. Equity-settled share-based payments issued to employees are measured at fair value (excluding the effect of nonmarket based vesting conditions) at the date of grant. Fair value is measured using the Black-Scholes pricing model and requires the exercise of judgment in relation to variables such as expected volatilities and dividend yields based on information available at the time the fair value is measured.

Taxation:
The Corporation's accounting policy for taxation requires management's judgment in assessing whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from tax loss carry-forwards, capital losses and temporary differences are recognized only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, mineral prices, reserves, operating costs, restoration and rehabilitation costs, capital expenditure, dividends and other capital management transactions.

Judgments are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the balance sheet and the amount of other tax losses and temporary differences not yet recognized. In such circumstances, some or all of the carrying amount of recognized deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a) Basis of consolidation

The consolidated financial statements are presented in Canadian dollars and include the accounts of the Corporation and the following subsidiaries:

Company	Principal activity	Country of incorporation
Mexican Gold Holdings Corporation Incorporated	Holding company	Canada
North American Gold Holdings Corporation Incorporated	Holding company	Canada
Minera Durango Dorado S.A. de C.V.	Gold and silver exploration	Mexico
Absolute Gold Holdings Incorporated	Holding company	Canada
AGHI Holdings Incorporated	Holding company	Canada
Grupo Coanzamex S.A. de C.V.	Gold and silver production	Mexico
Coanzamex Servicios S.A. de C.V.	Gold and silver production	Mexico
Servicios de Procesamiento Manufactura y Logistica Coanzamex S.A. de C.V.	Gold and silver production	Mexico
Animas Resources Ltd.	Holding company	Canada
First Silver Reserve, S.A. de C.V.	Holding company	Mexico
Recursos Escondidos, S.A. de C.V.	Holding company	Mexico
Coanzamex Santa Gertrudis, S.A. de C.V.	Gold and silver exploration	Mexico

All subsidiaries are 100% owned.

i) Subsidiaries

Subsidiaries are all those entities over which the Corporation has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Corporation controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company.

Subsidiaries are fully consolidated from the date on which control is transferred to the Corporation and cease to be consolidated from the date on which control is transferred out of the Corporation. A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

ii) Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

b) Foreign currency

i) Foreign currency transactions

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

These consolidated financial statements are presented in Canadian Dollars ("CDN dollars"), which is the functional currency of the Corporation and the presentation currency of the consolidated financial statements. The functional currency of all of the Corporation's Canadian subsidiaries is also the CDN dollar and the functional currency of all the Corporation's Mexican subsidiaries is the Mexican Peso.

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 is translated at historical rates of exchange at the reporting date;
- intercompany loans are translated at historical rates of exchange at the reporting date as they are considered part of the net investment in foreign subsidiaries and for which settlement is neither planned nor likely to occur in the foreseeable future;
- assets and liabilities are translated at the closing rate at the date of that 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.

c) Financial instruments

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Corporation determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

The Corporation's financial instruments are comprised of the following:

Financial assets:	Classification:
Cash	Fair value through profit or loss
Trade receivables	Loans and receivables
Input tax recoverable	Loans and receivables

Financial liabilities:	Classification:
Trade and other payables	Other financial liabilities
Derivative liabilities	Fair value through profit or loss
Long term debt	Other financial liabilities

(i) Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

(ii) Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit or loss or available for sale. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statement of operations when the loans and receivables are derecognized or impaired, as well as through the amortization process.

(iii) Available for sale investments

Financial assets classified as available for sale are measured at fair value, with changes in fair values recognized in other comprehensive income, except when there is objective evidence that the asset is impaired, at which point the cumulative loss that had been previously recognized in other comprehensive income is recognized within the consolidated statement of operations.

(iv) Fair value:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts, volatility measurements used to value option contracts and observable credit default swap spreads to adjust for credit risk where appropriate), or inputs that are derived principally from or corroborated by observable market data or other means.

Level 3: Inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The Corporation's financial assets measured at fair value, as at September 30, 2014 and September 30, 2013, which include cash and short-term deposits are classified as a Level 1 measurement.

(v) Impairment of financial assets:

Financial assets are assessed for indicators of impairment at each financial reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

d) Exploration and evaluation assets

Pre-exploration expenditures are expensed as incurred.

All direct costs related to the acquisition and exploration of resource property interests are capitalized by property. Exploration and evaluation assets include expenditures on acquisition of rights to explore, studies, exploratory drilling, trenching, sampling, and other direct costs related to exploration or evaluation of a project. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are initially measured at cost and classified as tangible assets.

An impairment review of exploration and evaluation assets is performed, either individually or at the cash-generating unit level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the financial year in which this is determined. Exploration and evaluation assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions below is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

Where a project is determined to be technically or commercially feasible and a decision has been made to proceed with development with respect to a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is reclassified as a development asset in property, plant and equipment. A project is considered to be technically or commercially feasible when a full technical report is prepared, complete financing is arranged, and board approval to proceed with construction is obtained.

e) Property, plant and equipment

Recognition and measurement
Land is stated at historical cost. All items of property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and capitalized interest and any other costs directly attributable to bringing the assets to working condition for their intended use.

Subsequent costs
Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably.

The carrying amount of any replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation
Depreciation of furniture and equipment is calculated using the declining balance method to allocate their cost, net of their residual values, over their estimated useful lives at the rate of 30% per annum. Depreciation of drilling equipment is calculated using the units of production method based on meters drilled. Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted prospectively, if appropriate.

Development assets
Development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable, and development assets also includes subsequent costs to develop the mine to the production phase.

Depletion of development assets is calculated on the basis of units of production and commences when the mine starts commercial production. Depletion is based on assessments of measured and indicated resources available to be mined by the current production equipment to the extent that such resources are considered to be economically recoverable.

f) Impairment of non-financial assets

The net carrying amounts of property and equipment are reviewed for impairment either individually or at the cash-generating unit level when events and changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. To the extent that the net carrying amounts exceed their recoverable amounts, that excess is fully provided against in the financial year in which this is determined.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

For mining properties, estimates of future cash flows are based on assumptions as to expected production levels, commodity prices, cash costs of production and capital expenditure. IAS 36 Impairment of Assets includes a number of restrictions on the future cash flows that can be recognized in respect of future restructurings and improvement related expenditure. When calculating value in use, it also requires that calculations should be based on exchange rates current at the time of assessment when applicable.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount, and an impairment charge is recognized in profit or loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount, but so that the increased carrying amount does not exceed the carrying value that would have been determined if no impairment had previously been recognized. As a result, a reversal is recognized in profit or loss.

g) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred income tax assets and deferred income tax liabilities of the same taxable entity are offset when they relate to taxes levied by the same taxation authority and the entity has a legally enforceable right to set off current tax assets against current tax liabilities. The principal temporary differences arise from amortization and depreciation on property, plant and equipment, tax losses carried forward and fair value adjustments on assets acquired in business combinations.

h) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments on the date of grant. Fair value is measured using the Black-Scholes pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed as services are rendered over the vesting period, based on the Corporation's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no-true-up for differences between expected and actual outcomes.

Equity-settled share-based payment transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

i) Earnings per share

The Corporation presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential common shares. All share options are currently anti-dilutive. As a result basic and diluted earnings per share are the same.

j) Reclamation liabilities

Provisions for environmental restoration are recognized when: (i) the Corporation has a present legal or constructive obligation as a result of past exploration, development or production events; (ii) it is probable that an outflow of resources will be required to settle the obligation; (iii) and the amount has been reliably estimated. Provisions do not include any additional obligations which are expected to arise from future disturbance. Costs are estimated on the basis of a formal report and are subject to regular review.

k) Inventories

Supplies inventory
Supplies inventory consists of processing supplies and consumables used in the operation of the project, and is valued at the lower of average cost and net realizable value.

Ore in process inventory
Ore in process inventory is measured at the lower of cost and net realizable value. The recovery of gold and silver is achieved through milling and heap leaching processes. Costs are added to ore on leach pads based on the current processing cost, including applicable overhead, depletion and amortization relating to mining and processing operations. Costs are removed from ore on leach pads as ounces are recovered, based on the average cost per recoverable ounce of gold and silver in ore in process inventory.

l) Revenue recognition

Revenue from the sale of gold, silver and doré, including by-product revenue, is recognized when persuasive evidence of a sale arrangement exists, the risks and rewards of ownership pass to the purchaser, including title risk, the selling price is measurable, and collectability is probable. The risks and rewards of ownership are considered to have been transferred when title passes to the customer. Revenue from the sale of gold, silver and doré is measured at the fair value of the consideration received or receivable, and may be subject to adjustment once final weights and assays are determined. Sales related to development assets are not recorded as revenue, but are capitalized as an offset to the development cost.

4. ACCOUNTING CHANGES AND RECENT PRONOUNCEMENTS

The Corporation 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 Corporation'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 Corporation to classify its interest in a joint arrangement as either a joint operation or a joint venture. For a joint venture, the Corporation will account for its interest in the net assets of the joint venture using the equity method of accounting. The Corporation 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 Corporation'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, the additional disclosures about interests in other entities that are required by this standard are provided in these consolidated financial statements.

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 Corporation'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 Corporation'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 Corporation has updated the presentation of other comprehensive income on the face of the 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 consolidated financial statements.

a) 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 does not expect the amendments to have a material impact on the financial statements.

b) 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.

c) 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 Corporation 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.

d) 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 has determined the revised effective date for IFRS 9 will be for annual periods beginning on or after January 1, 2018. The Corporation will evaluate the impact of the change to the consolidated financial statements based on the characteristics of financial instruments outstanding at the time of adoption.

5. ACQUISITION OF ANIMAS RESOURCES LTD.

On February 28, 2014, the Corporation 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 Corporation 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 Corporation were issued in exchange for the Animas Shares, and 664,881 common shares of the Corporation were issued in exchange for all of Animas' 12,500,000 outstanding share purchase warrants ("Animas Warrants").

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.

(in Canadian dollars unless otherwise stated)

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		(65,108)
	$	12,956,501
Net assets acquired		
Current assets	$	16,053
Property and equipment		8,374
Mineral property		13,633,175
Current liabilities		(701,101)
	$	12,956,501

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.

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

On April 23, 2014, the Corporation 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 Corporation were issued to acquire the remaining Animas common shares. The Corporation also issued 5,319 common shares of the Corporation for all of the outstanding in-the-money options of Animas. As the market price of the Animas shares had increased to $0.19 per share from the initial valuation date, a corresponding adjustment to deficit was recorded. The following table shows the effects of the elimination of the non-controlling interest:

Issuance of 1,149,339 common shares	$	1,621,178
Cash		941,034
Less: Fair value of non-controlling interest acquired		(2,158,859)
Resulting charge to deficit	$	403,353

6. INVENTORIES

Inventories consist of:

	September 30, 2014	September 30, 2013
Supplies inventory	$ 341,659	$ -
Ore in process inventory	1,348,092	-
	$ 1,689,751	$ -

(in Canadian dollars unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT

Cost	Furniture and Equipment	Drilling Equipment	Development Assets (Parral)	Total
At October 1, 2012	$ 177,345	$ 489,000	-	$ 666,345
Additions	98,203	-	619,469	717,672
Reclassifications	-	-	53,802,098	53,802,098
Disposals	-	(489,000)		(489,000)
At September 30, 2013	275,548	-	54,421,567	54,697,115
Acquired as part of the Animas acquisition (Note 5)	8,374	-	-	8,374
Additions	45,262	-	35,532,481	35,577,743
Foreign exchange adjustments	14,464	-	630,438	644,902.00
At September 30, 2014	$ 343,648	$ -	$ 90,584,486	$ 90,928,134
Accumulated amortization				
At October 1, 2012	$ 30,892	$ 489,000	$ -	$ 519,892
Amortization	46,815	-	-	46,815
Disposals	-	(489,000)	-	(489,000)
At September 30, 2013	77,707	-	-	77,707
Amortization	53,626	-	-	53,626
Foreign exchange adjustments	3,445	-	-	3,445
At September 30, 2014	$ 134,778	$ -	$ -	$ 134,778
Carrying value				
At September 30, 2013	$ 197,841	$ -	$ 54,421,567	$ 54,619,408
At September 30, 2014	$ 208,870	$ -	$ 90,584,486	$ 90,793,356

Included in current year additions to development assets is capitalized interest of $2,700,532 (2013 - $Nil) related to the construction of the Parral Tailings project. Metal sales of $2,400,001 (2013 - $Nil) have been recorded as an offset to the additions to the Parral Tailings project as the project has yet to achieve commercial production. Development assets includes construction in progress on the Parral Tailings project.

(in Canadian dollars unless otherwise stated)

8. EXPLORATION AND EVALUATION ASSETS

	Rambler	Parral	San Diego	Santa Gertrudis	Total
Cost					
At September 30, 2012	$ 714,848	$ 48,760,500	$ 21,066,554	$ -	$ 70,541,902
Additions	250	5,161,118	5,045,846	-	10,207,214
Impairment Charge	(715,098)	-	-	-	(715,098)
Foreign exchange adjustments	-	(119,520)	164,921	-	45,401
Reclasification to PP&E	-	(53,802,098)	-	-	(53,802,098)
At September 30, 2013	-	-	26,277,321	-	26,277,321
Acquired from Animas (Note 5)	-	-	-	13,633,175	13,633,175
Additions	-	-	797,044	4,292,597	5,089,641
Foreign exchange adjustments	-	-	953,502	2,207	955,709
At September 30, 2014	$ -	$ -	$ 28,027,867	$ 17,927,979	$ 45,955,846
Carrying value					
At September 30, 2013	$ -	$ -	$ 26,277,321	$ -	$ 26,277,321
At September 30, 2014	$ -	$ -	$ 28,027,867	$ 17,927,979	$ 45,955,846

During 2013, the Corporation discontinued its exploration program on the Rambler exploration property located in Canada. As a result, the Corporation recognized an impairment charge of $715,098 in the Consolidated Statements of Operations.

In 2013, the Parral Tailings Project was deemed technically and commercially feasible as supported by a full technical report, with financing arranged, and the board approved proceeding with construction. As a result the project was deemed in the development stage and all associated exploration and evaluation costs were reclassified to property, plant and equipment.

9. LONG TERM DEBT

	September 30, 2014	September 30, 2013
Senior Secured Debt	$ 33,869,613	$ 13,671,726
Less: current portion	(14,611,924)	(1,250,000)
	$ 19,257,689	$ 12,421,726

Orion Mine Finance ("Orion") has provided the Corporation with $30-million (USD) in senior secured debt, the proceeds were received in a $15-million (USD) tranche in September 2013 and a $15-million (USD) tranche in February 2014. The debt bears interest at London interbank offered rate (LIBOR) plus 6.5 per cent, with a minimum rate of 7.5%, with the principal repayable in quarterly instalments over a three-year period commencing in September 2014. On September 30, 2014 an amending agreement between the Corporation and Orion was signed which deferred the first principal payment to September 30, 2015. Also, on September 30, 2014, the Corporation and Orion agreed to an amended calculation of the debt service coverage ratio covenant as at September 30, 2014. At September 30, 2014, the minimum rate of 7.5% would apply which after taking into consideration all associated financing costs, results in an effective interest rate on the debt of 10.3%. The debt is secured by a first charge over all Company assets. Estimated principal repayments due to maturity on the long-term debt are 2015 - $14,611,924, 2016 - $11,689,539, and 2017 - $8,781,187.

(in Canadian dollars unless otherwise stated)

The Corporation and Orion Mine Finance 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 Mine Finance has agreed to purchase all of the refined gold and refined silver produced from the Parral Tailings Project, up to an aggregate of 180,000 ounces of refined gold and 18 million ounces of refined silver.

On December 19, 2014, the parties signed a waiver and amending agreement that waives the quarterly debt service ratio covenant until the June 30, 2015 reporting period. In addition, a November 2014 debt covenant related to the declaration of commercial production was in breach, which was remedied by obtaining an amendment on December 19, 2014 from Orion deferring the requirement for commercial production to January 2015. In exchange for receiving the waivers and amendments, the Corporation increased the aggregate ounces of refined gold by 30,000 ounces and 3 million ounces of refined silver to the quantities disclosed in the preceding paragraph.

10. SHARE CAPITAL

(a) Authorized

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

(b) Issued

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

	Number	Amount ($)
Balance September 30, 2012	128,288,331	89,703,697
Shares issued for cash net of issuance costs	4,693,563	4,537,437
Balance September 30, 2013	132,981,894	94,241,134
Shares issued for Animas	6,271,299	7,038,057
Shares issued for Animas warrants	664,881	990,673
Shares issued for exercise of options	1,200,000	210,722
Shares issued for exercise of warrants	6,712,956	13,908,966
Balance September 30, 2014	147,831,030	116,389,552

As part of the Orion Financing, Orion purchased 4,693,563 common shares of GoGold Resources, Inc ("Common Shares") through a non-brokered private placement for gross aggregate proceeds of US$5 million, representing a purchase price of approximately CDN$1.1030 per Common Share, which was a 5% premium to the volume weighted average share price of the Common Shares on the Toronto Stock Exchange ("TSX") for the twenty trading days ended September 13, 2013. The net proceeds after share issue costs was $4,537,437.

On February 28, 2014, $4,213,128 of cash was paid and 5,121,960 common shares of the Corporation were issued in exchange for the Animas Shares, and 664,881 common shares of the Corporation were issued in exchange for all of Animas's 12,500,000 outstanding share purchase warrants ("Animas Warrants"). On April 23, 2014, the Corporation completed the arrangement whereby GoGold acquired, by way of court approved plan of arrangement, the remaining issued and outstanding securities of Animas not acquired on February 28, 2014. The Corporation issued a further 1,149,339 common shares and paid $941,034 in cash to acquire the remaining Animas common shares. Refer to Note 5 for further details on this transaction.

During the period from June 27, 2014 to July 3, 2014, 6,696,756 shares were issued due to warrant exercises in conjunction with the warrant incentive program, as outlined in section (f) below.

The weighted average number of common shares outstanding for the year ending September 30, 2014 was 138,890,460 (September 30, 2013 – 128,326,908).

(in Canadian dollars unless otherwise stated)

(c) Escrowed shares

As of September 30, 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, 12,406,083 common shares and 447,500 incentive options were released on February 2, 2014 which were held in escrow as of September 30, 2013.

(d) Finder’s stock options

The changes in finder’s options during the year ended September 30, 2014 and year ended September 30, 2013 were as follows:

	September 30, 2014			September 30, 2013		
	Number of finder's options	Weighted average exercise price	Remaining contractual life (years)	Number of finder's options	Weighted average exercise price	Remaining contractual life (years)
Opening balance	170,000	$ 1.25	1.25	170,000	$ 1.25	2.19
Closing balance	170,000	1.25	0.23	170,000	1.25	1.25
Exercisable	170,000	$ 1.25	0.23	170,000	$ 1.25	1.25

The finder’s options were granted on December 23, 2011, the charge was determined based on the fair value of the options at the date of grant using the Black-Scholes option pricing model. The assumptions used were a risk-free rate of 0.99%, expected volatility of 97%, expected dividend yield of 0.00%, expected life of the option of 3.0 years, which provided a fair value per option of $0.759. The expected volatility was determined based on the historical share price volatility based on the entire trading history for the shares through the date of the grant as the period of time equal to the expected life of the option was greater than the trading history for the shares.

(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 number of common shares subject to options granted under the Plan is limited to 10% of the issued and outstanding common shares of the Corporation and no one person may receive in excess of 5% of the outstanding common shares of the Corporation at the time of grant (on a non-diluted basis).

(in Canadian dollars unless otherwise stated)

The changes in incentive stock options during the year ended September 30, 2014 and year ended September 30, 2013 were as follows:

	September 30, 2014		September 30, 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	1,025,000	1.33	625,000	1.35
Exercised	(1,200,000)	0.10	-	-
Expired	-	-	(50,000)	0.85
Closing balance	3,515,000	$ 1.22	3,690,000	$ 0.83
Exercisable	2,123,333	$ 1.15	2,877,500	$ 0.66

The following table summarizes information concerning outstanding and exercisable finder's and incentive stock options at September 30, 2014:

	Outstanding		Exercisable	
Expiry date	Number of options	Exercise price	Number of options	Exercise price
December 31, 2014	170,000	$ 1.25	170,000	$ 1.25
February 7, 2015	325,000	1.53	325,000	1.53
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
July 9, 2017	100,000	1.60	-	-
August 20, 2017	325,000	1.54	325,000	1.54
September 17, 2017	150,000	1.60	150,000	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	41,667	1.30
December 9, 2018	450,000	1.00	-	-
February 12, 2019	100,000	1.50	-	-
March 17, 2019	325,000	1.60	-	-
July 9, 2019	50,000	1.60	-	-
	3,685,000	$ 1.22	2,293,334	$ 1.16

(in Canadian dollars unless otherwise stated)

The compensation charges for the outstanding incentive stock options granted during the years ended September 30, 2014 and September 30, 2013 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:

	Year ended September 30, 2014				Year ended September 30, 2013		
Option grant date	Jul. 9, 2014	Mar. 17, 2014	Feb. 12, 2014	Dec. 9, 2013	May 16, 2013	Mar. 1, 2013	Oct. 9, 2012
Exercise price	$ 1.60	$ 1.60	$ 1.50	$ 1.00	$ 1.30	$ 1.26	$ 1.40
Risk-free rate	1.19%	1.31%	1.34%	1.82%	1.33%	1.30%	1.25%
Expected volatility of share price	44.20%	63.7%	63.1%	69.6%	72.0%	72.0%	77.7%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected life of each option	2.8 years	3.5 years	3.5 years	5.0 years	5.0 years	5.0 years	3.5 years
Weighted average grant date fair value	$ 0.42	$ 0.70	$ 0.69	$ 0.50	$ 0.54	$ 0.73	$ 0.72

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 is nil.

The Corporation has recorded total share based payments of $447,076 (2013 - $718,488) which has been recorded as compensation expense amounting to $308,887 (2013- $640,894) and as additions to exploration and evaluation assets of $138,189 (2013 -$77,594).

(f) Warrants

At September 30, 2014, the Corporation had 8,045,840 (2013 - 14,150,000) warrants outstanding, including 2,000,000 (2013 – 2,000,000) warrants with an exercise price of US $1.50 that expire on September 27, 2015 ("US Warrants"), and 6,045,840 (2013 -12,150,000) warrants with an exercise price of $1.50 that expire on January 24, 2015 ("Canadian Warrants").

The changes in warrant during the year ended September 30, 2014 and year ended September 30, 2013 were as follows:

	September 30, 2014			September 30, 2013		
	Number of finder's options	Weighted average exercise price	Remaining contractual life (years)	Number of warrants	Weighted average exercise price	Remaining contractual life (years)
Opening balance	14,150,000	$ 1.51	1.25	12,150,000	$ 1.50	2.33
Granted	-	-	-	2,000,000	1.54	2.00
Exercised	6,104,160	1.50	-	-	-	-
Closing balance	8,045,840	1.54	0.49	14,150,000	1.51	1.25
Exercisable	8,045,840	$ 1.54	0.49	14,150,000	$ 1.51	1.25

(in Canadian dollars unless otherwise stated)

During the year, the 12,150,000 Canadian Warrants were subject to a warrant incentive program from June 27, 2014 to July 7, 2014, where the number of common shares issuable upon the exercise of each warrant increased from 1.0 to 1.1. As a result of this, the warrants' fair value was reassessed both immediately preceding and at the beginning of the incentive program period, which was on June 24, 2014. The Black-Scholes option pricing model was used with the following assumptions:

	Before Incentive Program June 23, 2014	Start Incentive Program June 24, 2014
Effective exercise price	$ 1.50	$ 1.36
Risk-free rate	1.09%	1.09%
Expected volatility of share price	51.5%	51.5%
Expected dividend yield	0.00%	0.00%
Expected life of each option	0.6 years	0.6 years
Valuation per option	$ 0.26	$ 0.33
Increase in value attributed to warrant incentive program		$ 0.07
Increase for 12,150,000 warrants		$ 826,886

In conjunction with the warrant incentive program, 6,087,960 warrants were exercised for 6,696,756 common shares. An additional 16,200 warrants were exercised during the year outside of the warrant incentive program for 16,200 common shares.

As the 2,000,000 US Warrants were issued in a foreign currency, they met the definition of a derivative instrument and were classified as financial liabilities at fair value. These will be re-measured at fair value at the end of each reporting period. At September 30, 2014 these warrants had a fair value of $669,000 (2013 - $388,691).

The fair value of the warrants at the date of measurement was determined using the Black-Scholes option pricing model with the following assumptions:

Measurement date	Sep. 30, 2014	Sep. 30, 2013
Risk-free rate	1.13%	1.20%
Expected volatility of share price	43.57%	53.0%
Expected dividend yield	0.00%	0.00%
Expected life of each option	1.0 year	2.0 years
Weighted average grant date fair value	$ 0.334	$ 0.194

The expected volatility was determined based on the historical share price volatility as of the date the options were granted.

(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 September 30, 2014, 3,685,000 options (2013 – 3,860,000) and 8,045,840 (2013 – 14,150,000) warrants were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive.

11. PROVISION FOR SITE RESTORATION

The Corporation recorded a provision for site restoration related to the Parral project based on management's best estimate of the future cash flows associated with restoration obligations at the end of the project's life. The total undiscounted amount of estimated cash flows required to settle the obligation is $3.2 million (2013 - $nil). The cash flows have been inflated by the rate of 4.2%, and discounted using a pre-tax risk-free rate of 6.1%.

(in Canadian dollars unless otherwise stated)

12. INCOME TAXES

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and (liabilities) are presented below:

	Year ended September 30, 2014	Year ended September 30, 2013
Resource properties	$ (7,728,235)	$ (46,223)
Capital assets	-	(90)
Non-capital loss carryforwards	7,722,009	146,713
Deferred financing fees	(225,683)	(122,567)
Mexican mining tax	(2,078,039)	-
Other	95,926	6,983
	$ (2,214,022)	**$ (15,184)**

At the end of December 2013, the Mexican Government substantively enacted new tax legislation effective January 1, 2014. As a result, in the future the Corporation will not be permitted to deduct prior capital expenditures on the San Diego and Santa Gertrudis mining project in respect of determining the Mexican mining tax. This tax does not apply to the Parral project as the Corporation is not the concession holder.

The following deductible temporary difference and non-capital losses have not been recognized in the consolidated financial statements:

	Year ended September 30, 2014	Year ended September 30, 2013
Non-capital losses	$ 13,333,127	$ 6,929,714
Deferred financing fees and share issue costs	1,387,319	1,873,365
Capital assets	12,184	1,455
Foreign exchange loss on debt	767,040	-
Resource properties	77,524	77,523
	$ 15,577,194	**$ 8,882,057**

The non-capital losses noted above expire from 2028 to 2034.

The aggregate temporary difference associated with investments in subsidiaries for which no deferred tax liabilities have been recorded is $28.2 million (2013 - $29.1 million). It is not expected that the aggregate temporary difference will reverse in the foreseeable future.

Income taxes vary from the amount that would be computed by applying the basic Federal and Provincial tax rate of 31.0% (2013 – 31.0%) to loss before taxes as follows:

	Year ended September 30, 2014	Year ended September 30, 2013
Loss before taxes	$ (4,906,733)	$ (3,627,538)
Computed expected recovery	(1,521,087)	(1,124,537)
Foreign tax rate differential	24,414	(751)
Permanent differences	1,044,673	312,741
Current year loss for which no asset recognized	1,397,189	891,513
Mexican mining tax	2,046,527	-
Change in unrecognized temporary differences	(691,552)	(63,782)
	$ 2,300,164	**$ 15,184**

(in Canadian dollars unless otherwise stated)

13. RELATED PARTY TRANSACTIONS

Included in general and administrative expense during the year ended September 30, 2014 are insurance premiums amounting to $62,202 (2013 - $69,508), as well as insurance premiums of $124,515 (2013 - $Nil) included in development assets paid to a corporation where a significant interest was owned by a director of the Corporation. As the director ceased to own a significant interest in the corporation as of July 2, 2014, only insurance premiums paid up to this date are deemed a related party transaction.

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. Compensation to directors and officers of the Corporation:

	Year ended September 30, 2014	**Year ended September 30, 2013**
Directors' fees	$ 82,000	$ 51,520
Share-based payments to directors	33,267	72,262
Key management short-term benefits	966,033	716,069
Share-based payments to key management	187,679	387,284

14. 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 aggregates San Diego, Santa Gertrudis, and Parral projects as the Mexico segment and the Corporation's corporate offices as the Canadian segment.

The following tables present information about reportable segments:

	Mexico	**Canada**	**Total**
For the year ended September 30, 2014:			
Depreciation	$ 47,720	$ 5,906	$ 53,626
Segment net income (loss)	(2,553,841)	(4,653,056)	(7,206,897)
Expenditures on non-current assets	36,784,757	-	36,784,757
For the year ended September 30, 2013:			
Depreciation	$ 23,548	$ 7,800	$ 31,348
Impairment	-	715,098	715,098
Segment net income (loss)	-	(3,642,722)	(3,642,722)
Expenditures on non-current assets	10,482,276	447,847	10,930,123
Reportable segment assets (September 30, 2014)	$ 147,898,240	$ 3,037,047	$ 150,935,287
Reportable segment liabilities (September 30, 2014)	6,722,193	35,023,718	41,745,911
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

(in Canadian dollars unless otherwise stated)

15. FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments:

The fair values of the Corporation'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:

	September 30, 2014		**September 30, 2013**	
	Level 1	Level 2	Level 1	Level 2
Cash	$ 3,820,877	-	$ 31,114,102	-
Financial liabilities at fair value through profit and loss:				
Derivative liability	-	$ 669,000	-	$ 388,691

The fair value of the derivative liabilities are measured using the Black Sholes model as outlined in note 10 (f).

(b) Capital management:

The Corporation's objective when managing capital is to maintain adequate levels of funding to support the acquisition, exploration and development of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through 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. The Corporation invests all capital that is surplus to its immediate operational needs in high interest savings accounts.

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

	September 30, 2014	**September 30, 2013**
Shareholders' equity	$ 109,189,376	$ 96,744,092
Current and long-term debt	33,869,613	13,671,726
	143,058,989	110,415,818
Less: cash	(3,820,877)	(31,114,102)
	$ 139,238,112	$ 79,301,716

(c) Financial risks:

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

Commodity price risk
The profitability of the Corporation's mining operations will be significantly affected by changes in the market price for gold and silver ("Metal"). Metal prices fluctuate on a daily basis and are affected by numerous factors beyond the Corporation's control. The supply and demand for Metal, the level of interest rates, the rate of inflation, investment decisions by large holders of Metal, including governmental reserves, and the stability of exchange rates can all cause significant fluctuations in Metal prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems, and political developments.

Credit Risk
The Corporation's credit risk is primarily attributable to cash, input tax recoverable and trade receivables. Cash consists of funds on deposit in accounts with a Canadian Schedule I bank. Input tax recoverable consists of harmonized sales tax due

from the Federal Government of Canada of $75,611 and value added tax from the Federal Government of Mexico of $5,529,276. Exposure on trade receivables is limited as all receivables are with Orion who has provided the Corporation with senior secured debt as detailed in Note 9. Management believes that the risk of loss with respect to financial instruments included in cash, input tax recoverable and trade receivables to be low.

Foreign Currency Risk
The Corporation's functional currency is the Canadian dollar and major purchases are transacted in Canadian, US dollars, and Mexican Pesos. The Corporation funds certain operations, exploration and administrative expenses in Mexico on a cash call basis using US dollar and Mexican Peso currency converted from its Canadian and US dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions is not significant to its long term operations and therefore does not hedge its foreign exchange risk. At September 30, 2014, the Corporation had net liabilities in US dollars and of approximately $34,832,203 (September 30, 2013 - $13,671,726), for which a 10% appreciation in US exchange rates would affect net loss by approximately $3,483,220. To mitigate this, in addition to the fact that future Metal revenues are transacted in US dollars, management is holding the majority of the cash received from the subsequent financing (Note 17) in US dollars. At September 30, 2014, the Corporation had net liabilities in Mexican Pesos of approximately $1,745,525 (September 30, 2013 - $848,864), for which a 10% appreciation in Mexican Peso exchange rates would affect net loss by approximately $174,553.

Interest Rate Risk
The Corporation has cash balances and interest-bearing debt. The Corporation's current policy is to invest excess cash in Canadian bank high interest savings accounts. The Corporation periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. A 10% increase or decrease in the LIBOR interest rate would have no effect on the Orion debt interest as detailed in Note 9 due to the agreement requiring a minimum of 7.5% interest to be paid.

Liquidity Risk
The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2014, the Corporation had cash balances of $3.8 million (September 30, 2013 - $31.1 million) for settling current liabilities of $18.6 million (September 30, 2013 - $2.9 million). The September 30, 2013 cash balance includes short-term deposits which are in various guaranteed investment securities with maturities of less than a year but cashable in whole or in part with interest at any time to maturity. Of the Corporation's current financial liabilities, $3.2 million (2013 - $1.6 million) have contractual maturities of 30 days and are subject to normal trade terms, and $14.6 million (2013 - $1.3 million) are the current portion of long term debt due within one year as per the details in Note 9. Subsequent to year end, the Corporation received $18.6 million in net proceeds from an equity issue as per the details in Note 17.

16. COMMITMENTS

The Corporation, through its subsidiary Coanzamex, has an option agreement with the Municipality of Parral, Mexico ("Town") to mine and process tailings material for precious metal recovery. The Town is entitled to a 12% net profits interest ("NPI") after the deduction of costs and capital depreciation as well as a $30,000 USD per month property payment to the municipality. There are no other royalties due or payable on the Project.

The following table summarizes the minimum future financial commitments (in US$) over the next five years to keep the San Diego, Parral, and Santa Gertrudis projects in good standing:

	2015	2016	2017	2018	2019
Work commitments - San Diego	$ 178,000	$ 178,000	$ 178,000	$ 178,000	$ 8,000
Minimum royalty and rent of land - Parral	760,000	760,000	760,000	760,000	760,000
Work commitments - Santa Gertrudis	76,092	37,092	37,092	37,092	37,092
	$ 1,014,092	$ 975,092	$ 975,092	$ 975,092	$ 805,092

17. SUBSEQUENT EVENT

On December 3, 2014, the Corporation closed a bought deal whereby a syndicate of underwriters purchased 13,333,500 common shares of the Corporation at a price of $1.50 per share for net proceeds, after share issuance costs, to the Corporation of approximately $18.6 million. In addition, the Corporation agreed to grant to the underwriters an option to purchase up to an additional 15% of the number of shares sold at a price of $1.50 per share, exercisable at any time, in whole or in part, until January 2, 2015.