



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the year ended September 30, 2016**

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*This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations is prepared as at December 14, 2016 and should be read in conjunction with the consolidated financial statements for the year ended September 30, 2016 and the notes thereto for GoGold Resources Inc. (the "Corporation").*

*The Corporation's consolidated financial statements for the year ended September 30, 2016 have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in thousands of United States dollars ("USD"), with the exception of per ounce costs which are quoted in United States dollars. Additional information relevant to the Corporation's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).*

*This MD&A contains certain Forward-Looking Statements as disclosed on page 19 of this document.*

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## **OVERVIEW**

GoGold Resources Inc. is a Canadian company principally engaged in the exploration, development, and production of gold and silver primarily in Mexico. The Corporation's common shares are listed on the Toronto Stock Exchange trading under the symbol GGD.

The Corporation's significant projects include the Parral Tailings Project ("Parral") located in the state of Chihuahua, Mexico, which is a producing project, and the Santa Gertrudis exploration project located in the state of Sonora, Mexico.

In October 2016, the Corporation announced the start of construction of a vat leach plant at the Santa Gertrudis project, as part of a feasibility study. The first phase of the vat leach plant is being designed to treat ore at a rate of approximately 2,000 tonnes per day and further expansion of the plant is planned once the first phase is completed and operating at its intended output. The construction of the first phase of the plant is forecast to be completed by the end of March 2017, and concurrent with the construction the Corporation will be mining and stockpiling high-grade feedstock from several of the deposits at Santa Gertrudis.

## **OPERATIONAL UPDATE**

### **Santa Gertrudis High Grade**

In September 2016, GoGold began toll milling high grade material ("HGM") from the Santa Gertrudis property located at the Greta deposit. The ore is located at surface contained high grade gold and is being mined and shipped to a mill near Parral, where it is milled under a toll milling arrangement. Precipitate from the mill is then shipped to GoGold's Parral project where it is smelted into doré bars and then shipped to a refinery. As the ore is processed under a toll milling arrangement, there were no developmental costs incurred and the project was deemed to have entered commercial production upon commencement.

During the quarter ending September 30, 2016 ("Q4 2016"), approximately 6,000 tonnes of ore were mined at an average grade of 13.5 g/t gold. A total of 383 ounces of gold and 452 ounces of silver were produced in Q4 2016 from this project, for a total of 26,852 silver equivalent ounces. Revenues of \$448 on the sale of 331 gold ounces and 384 silver ounces is included in Q4 2016, with costs of \$465 attributed to the project.

On October 19, 2016, GoGold released the results of a trenching program at the HGM project to provide additional information around the mineralization of the ore body. Highlights of the program included 18 metres of 32.8 g/t gold found at surface.

## Parral

During the quarter ending September 30, 2016, the Corporation stacked 332,628 tonnes on the heap leach pad at Parral, compared to 631,219 tonnes stacked in the quarter ending June 30, 2016 ("Q3 2016"). In Q4 2016, Parral experienced a rainy season which was significantly worse than previous years at the heap leach site, and as a result, stacking and production were both negatively affected. In the quarter ending September 30, 2015, ("Q4 2015"), 375,734 tonnes were stacked at Parral.

In response to the decrease in production and the effects of the rain, in November 2016, the Corporation completed several changes to the heap leach, including the following:

- Adjusting heap height from a single 10 metre lift to a multi-staged 4 metre lift;
- Increasing strength of cyanide solution;
- Increasing strength and consistency of agglomerated pellets being placed on the heap leach pad;
- Addition of liquid air to irrigated solution to increase oxygen levels in the heap;
- Commissioning of a sulphidization, acidification, recycling and thickening plant which will lower cyanide costs by recycling of cyanide within the process.

The Corporation placed approximately 416,000 recoverable silver equivalent ounces on the heap leach pad in Q4 2016, as compared to approximately 776,000 recoverable silver equivalent ounces on the leach pad in Q3 2016. The decrease is attributed to the rains in the quarter, which affected the stacking for the quarter. In Q4 2015, the Corporation placed approximately 601,000 recoverable silver equivalent ounces on the leach pad. The decrease in the current quarter compared to the prior year is attributed to the decrease in stacked tonnage as well as a decrease in recoverable grade compared to the prior year, which is in line with the project's mine plan as the operation has transitioned from the higher grade Red Hill material to the Zone 1 material, as can be found in GoGold's pre-feasibility report ("PFS") dated February 26, 2013.

In Q4 2016, Parral produced 156,636 silver equivalent ounces compared to 361,705 silver equivalent ounces in Q3 2016, which represents a decrease of 57%. The decrease in production is attributed to the rains, which diluted the pregnant solution processed at the facility, as well as caused blockages of solution flow due to silt buildup. Production in Q4 2015 was 307,822 silver equivalent ounces, the current year decrease is attributed to the severity of the rainy season compared to the prior year.

Following are some key performance indicators of Parral's operations:

<b>Key performance indicator:</b>	<b>Q4 2015</b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>Q3 2016</b>	<b>Q4 2016</b>
Total tailing tonnes placed on leach pad	375,734	332,076	538,965	631,219	332,628
Recoverable silver equivalent ounces stacked <sup>2</sup>	601,000	439,000	615,000	776,000	416,000
Gold production (oz)	733	784	1,382	2,218	1,260
Silver production (oz)	252,300	171,047	222,388	191,618	69,358
Silver equivalent production (oz) <sup>1</sup>	307,822	231,253	335,183	361,705	156,636
Cash cost (per silver equivalent oz) <sup>2</sup>	\$ 5.65	\$ 6.54	\$ 6.58	\$ 6.36	\$ 7.50
Cash cost (per silver oz) <sup>2,3</sup>	\$ 3.59	\$ 4.25	\$ 2.42	\$ (2.59)	\$ (5.20)
AISC (per silver equivalent oz) <sup>2,3</sup>	\$ 7.30	\$ 10.23	\$ 9.25	\$ 9.59	\$ 21.24

1. "Silver equivalent production" include gold ounces produced and sold converted to a silver equivalent based on a ratio of the average realized metal price for each period. The ratio for each of the periods presented was: Q4 2015 – 76, Q1 2016 – 77, Q2 2016 – 82, Q3 2016 – 74, Q4 2016 – 69
2. Non-GAAP measure, reconciliation on page 18. All in sustaining costs is abbreviated as AISC.
3. Net of credits from gold sales.

Cash costs per silver equivalent ounce increased from \$6.36 in Q3 2016 to \$7.50 in Q4 2016 due to a loss of economies of scale as the ounces sold decreased significantly from the prior quarter. Cash costs per silver equivalent ounce increased from \$5.65 in Q4 2015 to \$7.50 in Q4 2016 as a result of the grade of the material processed decreasing, which is consistent with the Parral mine plan and the change from the Red Hill to the Zone 1 material. It is management's expectation that going forward the silver equivalent cash cost per ounce should be in the \$7-\$8 range.

All in sustaining costs ("AISC") increased from \$9.59 in Q3 2016 to \$21.24 in Q4 2016 mainly due to the decrease in ounces sold. As general and administrative expenses are not variable based on the ounces sold, the decrease in ounces sold had a significant effect on the AISC in the current quarter. AISC was up \$13.94 per ounce as compared to the Q4 2015 \$7.30 per ounce amount for a similar reason. Management expects the AISC to decrease in the upcoming quarter with the expected increased sales and production of silver equivalent ounces. In the current quarter, revenues from gold sales exceeded cash costs, as a result the cash cost per silver ounce is in the negative position as revenues from gold sales are deducted from cash costs in determining this metric.

### SELECTED ANNUAL INFORMATION

<b>Fiscal Periods ended September 30</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Revenues	\$ 16,701	\$ 12,521	-
Cost of sales	11,047	7,039	
General and administrative expenses	4,711	3,592	\$ 2,909
Operating income (loss)	943	1,890	(2,909)
Net loss	(20,537)	(6,082)	(6,587)
Basic and diluted net loss per share	(0.13)	(0.04)	(0.05)
Total assets	140,651	140,596	134,770
Current portion, long term liabilities	35,077	-	13,047
Total long-term liabilities	3,850	30,937	20,645
Cash dividends per common share	-	-	-
Tonnes placed on leach pad	1,834,888	1,584,798	264,834
Silver production (oz)	654,864	1,113,526	108,035
Gold production (oz)	6,028	1,975	174
Silver equivalent production (oz)	1,111,629	1,261,890	119,753

The Corporation recorded revenue of \$16,701 in the year 2016 attributed to the sale of 640,121 silver ounces and 5,533 gold ounces, as compared to \$12,521 in the year 2015 attributed to the sale of 707,898 silver ounces and 1,573 gold ounces produced after achieving commercial production. Also in 2015, there were metal sales of \$6,797 capitalized to the cost of development assets during the period of commissioning. GoGold realized an average price of \$15.50 per silver ounce sold as compared to \$15.18 in the prior year, and an average price of \$1,224 per gold ounce sold as compared to \$1,101 in the prior year.

Cost of sales of \$11,047 were recorded in 2016, as compared to \$7,039 in 2015. Included in cost of sales are cash costs of \$7,289 in 2016, an increase from \$4,675 in 2015. The increase in costs is attributed to an increase in silver equivalent ounces sold, from 825,236 in 2015 to 1,060,657 in 2016, as well as an increase in the cost per ounce. Cash cost per ounce was \$6.60 in 2016, as compared to 5.66 in 2015. The increase in per ounce costs is attributed to the addition of oxygen aides in 2016, as well as a slight increase in cyanide usage per ounce. Also included in costs of sales are amortization and depletion costs of \$2,364 in 2015, and \$3,758 in 2016.

General and administrative expenses increased \$1,119 in the current year, from \$3,592 in 2015 to \$4,711 in 2016. In 2015, the Parral facility had just entered into commercial production, as a result there was an

increase in salaries and wages throughout the year as some of these costs were previously capitalized, and there would be a full year of those expenses in 2016. Also, in 2016 there were severance charges expensed of \$298 which related to senior management changes. In 2016, stock based compensation of \$362 was recorded, an increase of \$157 from the prior year's \$205, which is attributed principally to an option grant in December 2015.

Net loss for the current year is \$20,537, compared to \$6,082 in the prior year. The largest component of the loss in the current year is an impairment of \$20,030 which was recorded on the San Diego property. As part of a review of the assets and projects of the operation, management determined that there would not be any significant expenditures on the San Diego property for exploration and evaluation of mineral resources, and certain claims were dropped as per the detail on page 9. This was considered an indicator of impairment, and accordingly an impairment test on the property was completed. An analysis of properties in similar stages was undertaken to determine a market multiple expressed as \$4.60 per gold equivalent ounce in resource. This multiple was then applied to the San Diego property which resulted in an impairment charge of \$20,030 during the period. There were no impairments recorded in 2015. In the prior year, there was a foreign exchange loss of \$5,741, as compared to a gain of \$370 in the current year. For the prior year's loss, a significant portion, \$4,899, of the foreign exchange loss was attributed to the US dollar ("USD") long term debt held in GoGold Resources Inc. ("GoGold"), which has a functional currency of Canadian dollars ("CAD"). Given GoGold has a functional currency of CAD, the devaluation of the CAD against the USD causes foreign exchange losses on the USD-denominated long term debt. As the Corporation's reporting currency, USD, differs from GoGold's functional currency, these foreign exchange losses attributed to the debt are then offset by an equal gain in foreign currency translation which is recorded through other comprehensive income at the consolidated financial statement level. This gain in foreign currency translation is fully offset by foreign exchange losses of \$8,922 related to exploration properties held in Mexican Pesos ("MXN") recorded through other comprehensive income, which is attributed to the devaluation of the MXN against the USD.

Total assets are comparable at \$140,651 in 2016 as compared to \$140,596 in 2015. While the overall assets are consistent, the components of the assets changed, with exploration and evaluation assets decreasing by \$20,950 largely as a result of the impairment recorded at San Diego, and inventory increasing by \$15,997 as additional tailings are stacked at Parral from which silver and gold have yet to be recovered.

Total long term liabilities in the current year decreased from \$30,937 in 2015 to \$3,850 in 2016 which is mainly a function of a reclassification to current liabilities. A total of \$35,077 in debt was classified as current in 2016 as a result of a covenant violation, for which a conditional waiver was received at September 30, 2016. As the waiver included conditions which were not met at year end, the debt was classified as current – see page 10 for further detail. Overall, debt increased from \$27,357 in 2015 to \$35,077 in the current year as a result of draws to fund the Parral expansion, as well as working capital requirements.

Tonnage placed on the leach pad increased from 1,584,798 in 2015 to 1,834,888 in 2016. The increase is attributed to the stacking process capacity being increased during the year, with an expansion from 5,000 tonnes stacked per day to 10,000 tonnes per day which was completed in March 2016. This resulted in record stacking in both Q2 and Q3 2016, which resulted in the yearly increase, while Q4 2016 was negatively affected by the rain which slowed stacking.

Production on an annual basis decreased from 1,261,890 silver equivalent ounces in 2015 to 1,111,629 silver equivalent ounces. The decrease is attributed mainly to the significant decrease in production in Q4 2016, where production was 156,636 silver equivalent ounces as compared to Q4 2015 which produced 307,822. Also during the year, Parral's production capabilities were doubled, which resulted in some required shutdowns and management's focus in the current year associated with the expansion. Management expects production to rebound in the quarter ending December 31, 2016, with total silver equivalent production to increase to between 400,000 and 500,000 silver equivalent ounces in the quarter.

**SUMMARY OF QUARTERLY RESULTS**

Quarter ending	Revenue	Cost of Sales	General and Administrative	Net Income (Loss)	Total Assets	Shareholder's Equity	Net Income (Loss) per Share
Sep 30, 2016	\$ 2,654	\$ 1,811	\$ 1,590	\$ (1,291)	\$ 140,651	\$ 88,098	\$ (.01)
Jun 30, 2016	5,965	3,528	1,110	208	135,718	89,001	.00
Mar 31, 2016	5,081	3,532	918	(17,105)	129,906	82,710	(.10)
Dec 31, 2015	3,001	2,176	1,093	(2,349)	143,887	101,970	(.01)
Sep 30, 2015	5,023	3,134	554	(2,323)	140,596	103,856	(.02)
Jun 30, 2015	7,459	3,561	992	2,114	138,416	108,002	.01
Mar 31, 2015	39	23	1,054	(3,563)	138,723	107,344	(.02)
Dec 31, 2014	-	-	992	(2,030)	143,669	109,586	(.01)
Sep 30, 2014	-	-	921	(2,589)	134,770	97,495	(.02)

In Q3 2016, revenue of \$5,965 was recorded compared to \$2,654 in Q4 2016, which is a decrease of \$3,311. The decrease is attributed to the decreased silver equivalent ounces sold to 139,971 in Q4 2016 from 348,747 in Q3 2016. The decrease in ounces sold is consistent with the decrease in production at Parral as previously explained. Realized price per silver equivalent ounce was \$18.96 in Q4 2016, compared to \$17.08 in Q3 2016. Revenue of \$448 attributed to the HGM project is also included in Q4 2016. The increase in realized price per ounce is attributed to the increase in world silver and gold prices. For Q4 2015, there was \$5,023 of revenue recorded, which was comprised of 347,333 silver equivalent ounces sold at a realized price of \$14.46 per ounce.

Cost of sales in Q4 2016 were \$1,811, which consists of amortization and depletion of \$470 and cash production costs of \$1,341. The cash costs include costs attributed to Parral of \$876, which equates to \$7.50 per silver equivalent ounce, as well as cash costs attributed to the HGM project of \$465. Cash production costs in Q3 2016 were \$6.36 per silver equivalent ounce, or \$2,220. The increase in cost per ounce is explained on page 4. Amortization and depletion in Q3 2016 was \$1,308, the quarterly decrease of \$838 is attributed to the lower production. Cost of sales in Q4 2015 were \$3,134, consisting of cash costs of \$1,964 and amortization and depletion of \$1,170. Cash costs per ounce were lower in Q4 2015 at \$5.65 due to the higher grade material which was being processed at the time.

General and administrative expenses during the quarter ending Q4 2016 were \$1,590 compared to \$1,110 in Q3 2016. The increase is mainly attributed to an increase in professional fees of \$219, as well as increases to regulatory and other costs of \$88, as well as stock based compensation of \$40. General and administrative expenses have increased from the prior year, where they were \$554 in Q4 2015. In Q4 2015, professional fees were lower by \$310, management bonuses of \$295 were reversed, and stock based compensation was \$122 lower.

Net loss in Q4 2016 was \$1,291 compared to net income of \$208 in Q3 2016. The majority of this variance is attributed to an operating loss of \$747 in Q4 2016, compared to operating income of \$1,327 in Q3 2016. Explanations of the components of operating loss were given in the previous paragraphs. Other significant components of net loss in Q4 2016 include a foreign exchange loss of \$631, interest expense of \$664 and a loss on derivative liability of \$796, offset by a tax recovery of \$1,545 which is attributed to the loss in the quarter as well as adjustments to loss carryforwards. The foreign exchange loss is attributed primarily to the depreciation of the Canadian dollar ("CAD") by 2% against the USD in the quarter. Given the parent entity GoGold Resources Inc. has a functional currency of CAD, the depreciation of the CAD against the USD causes foreign exchange losses on the USD-denominated long term debt. As the Corporation's reporting currency, USD, differs from the parent entity's functional currency, these foreign exchange gains or losses

attributed to the debt are then offset by an equal loss or gain in foreign currency translation which is recorded through other comprehensive income at the consolidated financial statement level. Net loss in Q4 2015 was \$2,323, which included operating income of \$1,335, as well as a foreign exchange loss of \$2,093, and income tax expense of \$398.

Shareholders' equity decreased from \$89,001 in Q3 2016 to \$88,098 in Q4 2016 largely as a result of the net loss of \$1,291, with the remaining change attributed mainly to foreign currency translation differences recorded through other comprehensive loss. The increase of \$4,933 in total assets from \$135,718 in Q3 2016 to \$140,651 in Q4 2016 is attributed to an increase in inventories of \$4,603 as the Corporation continues to stack more material on the heap leach pad than is being depleted from production.

## EXPLORATION AND EVALUATION ACTIVITIES

The following table summarizes the exploration and evaluation costs incurred for the year on the Corporation's significant projects:

	San Diego	Santa Gertrudis
<b>Cost at September 30, 2015</b>	\$ 20,527	\$ 18,533
Additions	104	2,244
Impairment	(20,030)	-
Reclassified to property, plant and equipment	-	(367)
Foreign exchange losses	(388)	(2,513)
<b>Cost at September 30, 2016</b>	\$ 213	\$ 17,897

### Santa Gertrudis Project

The Corporation's main exploration and evaluation project is currently the Santa Gertrudis project, located in Sonora, Mexico with management continuing to advance Santa Gertrudis to reestablish production. During Q4 2016, the HGM project was reclassified to property, plant, and equipment as it achieved commercial production. See page 3 for discussion of this project which is located on the Santa Gertrudis property.

In October 2016, GoGold began the construction of a vat leach plant, which is designed to treat ore at a rate of approximately 2,000 tonnes per day. This will allow field evaluation of the many ore types and deposits on the property which will aid in perfecting the operating process. The results of these large-scale tests will in turn provide input to an updated feasibility study of the property. GoGold believes the scale of the proposed initial plant will allow sufficient cash flow to cover the full cost of the plant and the feasibility study program. Following expected successful evaluation, the project can then be easily scaled up by adding additional vats to achieve expected full commercial operation. The construction of the first phase of the vat leach plant is expected to be completed by the end of March 2017.

The Corporation's Pre-Economic Assessment ("PEA") on the Santa Gertrudis property that upgraded the previous historic resource estimate to 810,000 ounces of gold indicated (23.3 Mt at 1.08 g/t gold) and 255,000 ounces gold inferred (7.7 Mt at 1.02 g/t gold) was released in September 2014 and was based on heap leaching technology. GoGold has since performed further preliminary metallurgical testing which indicated that cyanide vat leaching could be a viable alternative to conventional heap leaching with achieved vat gold recoveries in the low 80% range.

While the leaching mechanism is similar, the primary difference between heap and vat leaching is that heap leaching occurs on large pads which are exposed to the weather elements whereas vat leaching occurs in smaller, more controlled batches in concrete vats. Additional advantages to the method include lower



investment risk, faster project development, more flexible processing, quicker revenue generation, increased gold recoveries, and lower environmental footprint. As a result, management has opted to proceed with construction of a vat leach test facility.

On September 28, 2015 the Corporation announced that Santa Gertrudis continues to deliver numerous high grade gold intercepts in the proposed open pit zones. Highlights of the new holes drilled include intersects of 17 metres of 5.35 g/t gold in the Dora pit, 8 meters of 18.71 g/t gold including 5 metres of 29 g/t gold drilled at the Greta Ontario zone, and 13.7 Metres of 3.22 g/t gold in the Corral pit. The drilling was designed to confirm historic mineralization and tested targets in the immediate vicinity of the open pit resource in the PEA, which was released in September 2014, as discussed below.

On May 5, 2015, the Corporation announced that it had drilled numerous high grade gold drill holes in the proposed open pit zones at the Santa Gertrudis project. Significant drill holes include intercepts of 8.80 g/t gold over 37.6 metres as well as 6.79 g/t gold over 38.4 metres, which confirm the down dip high grade extension at the Dora Pit structure and also confirms that the oxide zone continues below the previously thought depth of the oxide mineralization. These holes confirmed the higher grades at the Dora structure and identified the material as mostly oxide. The past mining of the oxide material located immediately above this intercept had reported 75% recoveries on a conventional heap leach with a crush size of four inches. Additionally, other significant holes have been drilled at the Corral zone and Cristina zone with highlights that include 17 metres of 3.58 g/t gold at Corral and 31.4 metres of 1.18 g/t gold at Cristina. These three targets have been identified as the initial pits the Corporation could restart mining and should represent the first four years of feed.

The additions of \$2,244 for the year are related to additional engineering and drilling on the project as the Corporation worked towards making the decision to begin construction. These additions are offset by foreign exchange translation losses of \$2,513 as the Santa Gertrudis operation's functional currency is Mexican pesos which devalued significantly against the US dollar in the current year.

The Santa Gertrudis project contains several former producing gold mines. As a past producer, the Santa Gertrudis Project has infrastructure in place including numerous pits already worked with haul roads in place to facilitate the commencement of mining activities. Approximately 565,000 ounces of gold were produced in the district from what is now part of the property between 1991 and 2000. A total of 8,244,000 tonnes at an average recovered grade of approximately 2.13 g/t gold were open pit mined from 22 sedimentary-rock-hosted, disseminated gold deposits. The Corporation acquired a 100% interest in the project when they purchased Animas Resources Ltd. in 2014.

### **San Diego Project**

The San Diego project is located in Durango, Mexico. The property is 100% held by Minera Durango Dorada S.A. de C.V., which is a wholly-owned subsidiary of the Corporation. The project contains multiple geological exploration targets on which the Corporation has performed work, and numerous unexplored targets remain, providing potential for long term exploration upside. This well-established mining region features supportive local inhabitants, cooperative local and district governments, and existing infrastructure including local workforce, power to property, road access, accommodations and water.

In the quarter ending March 31, 2016 there was a change in senior management of the Corporation with the appointment of a new CEO and a new COO, and as a result all projects and assets were reviewed by management. As a result of this review, the Corporation has dropped the claims from two of the deposits on the San Diego property (Chispa and Las Europas) and only retained the claims for the Breccia Hill deposit. Management determined that the cash flows associated with maintaining the claims on these deposits would be better used on other assets and operations of the Corporation.

As management determined that there would not be any significant expenditures on the San Diego property for exploration and evaluation of mineral resources this was considered an indicator of potential impairment, and accordingly an impairment test on the property was completed. An analysis of properties in similar stages was undertaken to determine a market multiple expressed as dollar per gold equivalent ounce in resource. This multiple was then applied to the San Diego property which provided a fair market value of \$218, which resulted in an impairment charge of \$20,030 during the quarter ending March 31, 2016. There were small additions of \$10 as well as foreign exchange losses of \$15 on the property in the subsequent quarters, providing a carrying value of \$213 at September 30, 2016.

## LIQUIDITY AND CAPITAL RESOURCES

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, debt, and funds from operations. 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.

### Working Capital

A summary of the Corporation's working capital is as follows:

	Sept 30, 2016	Sept 30, 2015
Current assets	\$ 29,662	\$ 16,796
Current liabilities	48,703	5,803
Working capital (deficiency)	\$ (19,041)	\$ 10,993

At September 30, 2016, the Corporation had a working capital deficiency of \$19,041, compared to working capital of \$10,993 at September 30, 2015. As explained further in the debt section below, the debt was required to be classified as current as a covenant at September 30, 2016 was violated for which a conditional waiver was obtained. As the waiver conditions were met as of November 3, 2016, and based on the Corporation's internal forecast, the Corporation expects to be in compliance with all debt covenants for the remaining term of the senior revolving credit facility, the debt was reclassified to non-current as of November 3, 2016. The Corporation's forecasts use various assumptions and estimates which are subject to fluctuation. After adjusting the working capital deficiency for the subsequent reclassification of \$35,077 in debt, it results in an adjusted working capital of \$16,036. Management expects the current amount of working capital, funds from ongoing operations, and the available funds from the credit facility to be sufficient to fund the operations of the Corporation.

### Debt

On July 21, 2015, the Corporation entered into a \$50,000 senior revolving credit facility with a Canadian chartered bank. The facility bears interest at LIBOR plus 2.00% to 3.25%, depending on the leverage ratio of the Corporation, matures on July 21, 2018, and may be extended upon mutual agreement by both parties. No payments under the facility are due until the maturity date and it has pledged as security a first charge over all of the Corporation's assets. On December 18, 2015, and June 29, 2016, the Corporation amended the credit facility to adjust the financial covenants to modify certain ratios to coincide with the ramp up of the Corporation's production. On May 10, 2016 the Corporation amended the credit facility to reduce the tangible net worth covenant requirement by the amount of the San Diego impairment as described on page 9.

The credit facility has covenants that include, but are not limited to, a debt leverage ratio (for which debt is compared to EBITDA as defined in the credit facility agreements; excluding most significant non-cash and non-recurring items) and an interest coverage ratio. The Corporation is required to ensure at all times that the debt leverage ratio, determined on a rolling four quarter basis, does not exceed 3.5 to 1, and the ratio of EBITDA to interest expense, determined on a rolling four quarter basis equals or exceeds 4.5 to 1. On November 17, 2016, the Corporation renegotiated the calculation of the debt covenants allowing the rolling four quarters to be restarted for the quarter ended December 31, 2016. The Corporation was not in compliance with the debt leverage ratio covenant at September 30, 2016 and received a waiver for that covenant on September 30, 2016, conditional upon delivering an acceptable budget and life of mine plan, which was completed on November 3, 2016. As the waiver was conditional, the debt was classified as current at September 30, 2016. As the conditions of the waiver were satisfied on November 3, 2016, the debt was reclassified as non-current as of November 3, 2016.

During the year ended September 30, 2016, the Corporation received proceeds of \$13,500 (2015 - \$28,000) and made repayments of \$6,000 (2015 - \$Nil) under the facility. As of September 30, 2016, the Corporation had drawn \$35,500 (September 30, 2015 - \$32,000). In the event the Corporation is not in compliance with any of the covenants under the credit facility, its ability to borrow funds may be restricted.

The Corporation continues to sell all of the refined gold and refined silver produced from Parral, up to an aggregate of 180,000 ounces of refined gold and 18 million ounces of refined silver, under an off-take agreement. The selling price for the refined gold and refined silver under the agreement is based on the respective market prices for the commodities using the lowest quoted market price over a certain period of time prior to and following the respective transaction date. Management estimates this to represent a 1.5 – 3% reduction in the realized sale price of metal produced at Parral over the life of the project, which is consistent with what management has realized on sales which have occurred under the agreement to date.

## CONTRACTUAL OBLIGATIONS

A summary of the Corporation's contractual obligations at September 30, 2016 is as follows:

	2017	2018	2019	2020	2020
Land payments - San Diego	\$ 50	\$ 50	\$ -	\$ -	\$ -
Minimum royalty and land payments - Parral	1,006	1,006	1,006	1,006	1,006
Land payments - Santa Gertrudis	182	182	182	182	182
Debt principal payments	-	35,500	-	-	-
Trade and other payables	13,486	-	-	-	-
	\$ 14,724	\$ 36,738	\$ 1,188	\$ 1,188	\$ 1,188

## OUTSTANDING SHARE DATA

As at September 30, 2016, the Corporation had a total of 171,376,481 common shares with a carrying amount of \$140,885, 4,025,000 stock options, and 4,480,539 warrants issued and outstanding. Comparative figures for September 30, 2015 were 162,222,003 common shares with a carrying amount of \$132,684, and 3,365,000 stock options, and nil warrants issued and outstanding.

As of the date of this document, the Corporation has 171,376,481 common shares outstanding and 179,882,020 fully diluted shares outstanding.

## **OFF-BALANCE SHEET ARRANGEMENTS**

At the date of this document, the Corporation had no material off-balance sheet arrangements.

## **CRITICAL ACCOUNTING ESTIMATES AND CHANGE IN ACCOUNTING POLICIES**

### **Accounting Estimates**

The preparation of the consolidated 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. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements as well as 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, which would include a significant decline in the asset's market value, decline in resources and/or reserves as a result of geological re-assessment or change in timing of extraction of resources and/or reserves which would result in a change in the discounted cash flow obtained from the site, and lower metal prices or higher input cost prices than would have been expected since the most recent valuation of the site.

If any such indication exists, a formal estimate of recoverable amount is determined 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 of disposal 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is determined based on the present value of estimated future cash flows from each long-lived asset or cash generating unit. The assumptions used in determining the fair value less costs of disposal are typically life of mine plans, long-term commodity prices, discount rates, foreign exchange rates, and net asset value multiples.

Future cash flow estimates are based on expected production and sales volumes, mineral prices (considering current and historical prices, price trends and related factors), reserves, 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 mineral properties. The technical feasibility and commercial viability is based on management's evaluation of the geological properties of an ore body based on information obtained through evaluation activities, including metallurgical testing, resource and reserve estimates and economic assessment whether the ore body can be mined economically. Once technical feasibility and commercial viability of a mineral property can be demonstrated, exploration costs will be assessed for impairment and reclassified to property, plant and equipment and subject to different accounting treatment.

*Identification of functional currency:*

The functional currency for the Corporation and each of its subsidiaries in the Group is the currency of the primary economic environment in which it operates. Determination of functional currency involves significant judgment in determining the primary economic environment by considering the currency and economic factors that mainly influence sales prices, production and operating costs, financing and related transactions.

*Inventory – in process:*

The Corporation makes estimates of gold and silver recoverable from ore stacked on leach pads in the determination of the cost of 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 leach pad, and the timing of the recovery, 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, directors, 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. Share-based payments issued to third parties are measured at the fair value of the goods or services received except when the fair value cannot be determined reliably, in which case, they are measured at the fair value of the equity instruments granted.

*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 statement of financial position 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.

### **Change in Accounting Policies**

The Corporation has not adopted any new accounting standards or amendments to accounting standards in the current fiscal year.

### **Recent Pronouncements**

A number of new standards, and amendments to standards and interpretations under IFRS, are not yet effective for the year ending September 30, 2016, and have not been applied in preparing these consolidated financial statements.

*Revenue from Contracts with Customers:*

In May 2014, and later amended in April 2016, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for fiscal years beginning on or after January 1, 2018 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 Corporation intends to adopt IFRS 15 in its financial statements for the annual period beginning on October 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

*Financial instruments:*

In July 2014, the IASB issued 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.

*Joint Arrangements:*

In May 2014, the IASB issued amendments to IFRS 11, Joint Arrangements, to clarify that the acquirer of an interest in a joint operation in which the activity constitutes a business is required to apply all of the principles of business combinations accounting in IFRS 3, Business Combinations. Prospective application of this interpretation is effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Corporation is currently assessing the impact of adopting this standard on its consolidated financial statements.

*Leases:*

In January 2016, the IASB issued IFRS 16, Leases. This standard specifies the methodology to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This standard replaces IAS 17, Leases. The standard is effective for reporting periods beginning on or after January 1, 2019 with early adoption permitted. The Corporation is currently assessing the impact of adopting this standard on its consolidated financial statements.

*Financial liabilities:*

In February 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows. These amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments apply for annual periods beginning on or after January 1, 2017. The Corporation is currently assessing the impact of adopting this standard on its consolidated financial statements.

*Share based payments:*

The IASB issued has published amendments to IFRS 2, Share-based Payment. The new requirements could affect the classification and/or measurement of cash settled share-based payments, classification of share-based payments settled net of tax advantage, and share-based payment from cash-settled to equity settled – and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments apply for annual periods beginning on or after January 1, 2018. The Corporation is currently assessing the impact of adopting this standard on its consolidated financial statements.

## **FINANCIAL INSTRUMENTS AND OTHER RISKS**

### **Financial Instruments**

The fair values of the Corporation's financial instruments are considered to approximate the carrying amounts. Levels 1 to 3 fair values 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 for financial instruments recorded at fair value:

<i>(in thousands USD)</i>	September 30, 2016		September 30, 2015	
	Level 1	Level 2	Level 1	Level 2
Cash	\$ 2,091	-	\$ 2,721	-
Financial liabilities at fair value through profit and loss:				
Derivative liabilities	-	\$ 867	-	\$ 174

For derivative contracts, the Corporation obtains a valuation of the contracts from counterparties of those contracts. The Corporation assesses the reasonableness of these valuations through internal methods and third party valuations. The Corporation then calculates a debt valuation adjustment or a credit valuation adjustment by considering the risk of nonperformance by the counterparties and the Corporation's own credit risk. Valuations are based on forward rates considering the market price, rate of interest and volatility, and take into account the credit risk of the financial instrument, and are therefore classified within Level 2 of the fair value hierarchy.

### Risk

The Corporation is exposed to a number of risks and uncertainties that are common to other mineral exploration and development companies. The mining industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rates for currency, inflation and other risks.

Additional detail on risks and uncertainties is discussed in the Corporation's Annual Information Form dated December 14, 2016, a copy of which may be obtained on the SEDAR website at [www.sedar.com](http://www.sedar.com), as well as other continuous disclosure materials filed from time to time with Canadian securities regulatory authorities.

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 \$85 and value added tax from the Federal Government of Mexico of \$8,360. The Mexican value added tax is expected to be received in full within two years. Exposure on trade receivables is limited as all receivables are paid within 10 business days and are with two customers who the Corporation has strong working relationships with. 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 major purchases are transacted in Canadian dollars, US dollars, and Mexican Pesos. The Corporation funds certain operations, exploration and administrative expenses in Mexico using US dollar and Mexican Peso currency converted from its Canadian and US dollar bank accounts held in Canada. As GoGold Resources Inc., the parent corporation, has a functional currency of Canadian dollars, net liabilities held in US dollars are affected by foreign exchange fluctuations and will affect the Corporation's net loss.



At September 30, 2016, GoGold Resources Inc. had net monetary liabilities in US dollars of \$33,477 (September 30, 2015 – \$25,369), for which a 10% appreciation in US exchange rates would affect net loss by approximately \$3,348, which would then be offset by a corresponding gain recorded through foreign currency translation differences recorded through other comprehensive income. At September 30, 2016, the Corporation had net monetary assets in Mexican Pesos of approximately \$2,476 (September 30, 2015 - \$509), for which a 10% appreciation in Mexican Peso exchange rates would reduce net loss by approximately \$248.

*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. The long term debt as detailed in Note 8 bears interest based on the LIBOR rate, for which a 1% increase or decrease would result in an increase or decrease of annual interest expense of \$355.

*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, 2016, the Corporation had cash balances of \$2,091 (September 30, 2015 - \$2,721) for settling current liabilities of \$48,703 (September 30, 2015 - \$5,588). Current liabilities includes \$35,077 of debt which was classified as current at September 30, 2016 as the Corporation was in violation of a covenant and a conditional waiver was obtained from the lender at September 30, 2016. As the conditions of the waiver were met on November 3, 2016, the debt was subsequently reclassified as long term. With the cash on hand, anticipated positive cash flows from operations, and funds from the credit facility as detailed below, management is confident that the risk of becoming illiquid is sufficiently mitigated.

The Corporation has funds available from the credit facility as detailed in page 10. The Corporation's senior revolving credit facility has financial covenants (see page 10), which are dependent on the financial results of the Corporation. Should the Corporation not achieve planned financial results, it may violate one or more covenants or the allowable borrowing on the facility may be reduced, requiring repayment. The Corporation has been able to arrange for amendments to financial covenants during the current fiscal year in order to remain in compliance with the terms of the facility. In the event the Corporation exceeds any of the covenants under the credit facility and is unable to obtain amendments or waivers from the lenders in the future, its ability to borrow funds may be restricted or the lenders may demand repayment. Subsequent to quarter end, the Corporation drew an additional \$2,000 on the facility.

## **Derivatives**

As at September, 2016, the Corporation held foreign exchange option contracts to protect against the risk of the Mexican Peso ("MXN") strengthening against the USD. The option contracts are zero-cost collars which settle monthly and are for the purchase of 10,000,000 MXN per month and the sale of USD at a call option per price of \$1.00 USD to 19.00 MXN and a put option of \$1.00 USD to 20.26 MXN. The contracts were entered into on September 16, 2016 and began on October 1, 2016 and expire on September 29, 2017. The Corporation had similar contracts during the year for the purchase of 8,000,000 MXN per month and the sale of USD at a call option per price of \$1.00 USD to 15.80 MXN and a put option of \$1.00 USD to 17.01 MXN which began on September 1, 2015 and expire on August 31, 2016. These contracts had a negative fair value of \$63 as of September 30, 2016 (September 30, 2015 - \$174), all of which has been recognized in net income.

The Corporation, through its subsidiary Coanzamex, has an agreement which was renegotiated in the three months ending December 31, 2015 and finalized in January 2016 with the Municipality of Parral, Mexico ("Town") to mine and process tailings material for precious metal recovery. With the renegotiated agreement, the Corporation eliminated a 12% net profit royalty and increased the monthly royalty payment from \$30 to a \$48 per month royalty payment to the Town which increases based on the market average silver price. As the monthly royalty payment increases based on the market average silver price, from a minimum of \$48 per month to a maximum of \$88 per month, this is accounted for as an embedded derivative liability. The fair value of the liability has been accounted for using a Monte Carlo simulation based on the

spot price of silver at September 30, 2016 of \$19.48, as well as the historical volatility of silver market prices. The fair value of the liability under this method at year end was \$804.

## NON-GAAP MEASURES

The following provides a reconciliation of cash cost per silver equivalent ounce, cash cost per silver ounce net of gold credits, and all in sustaining costs per silver equivalent ounce to the consolidated financial statements. Cash costs and all in sustaining costs are calculated in line with guidance provided by the World Gold Council. These non-GAAP measures are used as these terms are typically used by mining companies to assess the level of gross margin available to the Company by subtracting these costs from the unit price realized during the period. These non-GAAP terms are also used to assess the ability of a mining company to generate cash flow from operations. There may be some variation in the method of computation of these metrics as determined by the Company compared with other mining companies.

<b>Parral Cash Cost Reconciliation</b>	<b>Q4 2015</b>	<b>2015</b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>Q3 2016</b>	<b>Q4 2016</b>	<b>2016</b>
Production costs, except amortization and depletion <sup>1</sup>	\$ 1,964	\$ 4,675	\$ 1,433	\$ 2,295	\$ 2,220	\$ 1,341	\$ 7,289
Production costs attributed to Greta project	-	-	-	-	-	(465)	(465)
Total cash costs, Parral	1,964	4,675	1,433	2,295	2,220	876	6,824
Silver equivalent ounces sold <sup>2</sup>	347,333	825,236	219,292	348,991	348,747	116,748	1,033,778
Cash cost per silver equivalent ounce	<b>\$5.65</b>	<b>\$5.66</b>	<b>\$6.54</b>	<b>\$6.58</b>	<b>\$6.36</b>	<b>\$7.50</b>	<b>\$6.60</b>
Total cash costs, per above	1,964	4,675	1,433	2,295	2,220	876	6,824
Gold sales	(954)	(1,778)	(729)	(1,740)	(2,713)	(1,158)	(6,340)
Total cash costs, net of gold sales	1,010	2,897	704	555	(493)	(282)	484
Silver ounces sold <sup>2</sup>	281,429	707,898	165,801	229,372	189,993	54,272	639,438
Cash cost per silver ounce, net of gold credits	<b>\$3.59</b>	<b>\$ 4.09</b>	<b>\$4.25</b>	<b>\$2.42</b>	<b>\$(2.59)</b>	<b>\$(5.20)</b>	<b>\$0.76</b>
Total cash costs, per above	1,964	4,675	1,433	2,295	2,220	876	6,824
General and administrative costs <sup>3</sup>	554	1,897	795	918	1,110	1,590	4,413
Accretion expense	18	41	15	14	15	14	58
All in sustaining costs	2,536	6,613	2,243	3,227	3,345	2,480	11,295
Silver equivalent ounces sold <sup>2</sup>	347,333	825,236	219,292	348,991	348,747	116,748	1,033,778
All in sustaining costs per silver equivalent ounce	<b>\$7.30</b>	<b>\$8.01</b>	<b>\$10.23</b>	<b>\$9.25</b>	<b>\$9.59</b>	<b>\$21.24</b>	<b>\$10.93</b>

1. In Q4 2016, an adjustment was made to heap leach stacked grades which decreased production costs in Q2 2016 by \$69 compared to the Q2 2016 quarterly financial statements and a decrease of \$192 in Q3 2016 compared to the Q3 2016 quarterly financial statements.
2. Includes all ounces sold related to Parral which were recorded as revenue (ounces prior to achieving commercial production excluded.)
3. Excludes one-time material severance charges of \$298 in Q1 2016.

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Corporation, including its consolidated subsidiaries, is made known to the Corporation's certifying officers. The Corporation's Chief Executive Officer and Chief Financial Officer have each evaluated the effectiveness of the Corporation's disclosure

controls and procedures as at September 30, 2016, in compliance with NI 52-109, and have concluded that these controls and procedures are effective.

The Corporation's management, under the supervision of its Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Corporation's Chief Executive Officer and Chief Financial Officer have used the 2013 Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of the Corporation's internal control over financial reporting as at September 30, 2016, in compliance with NI 52-109, and have concluded that these controls and procedures are effective.

## **FUTURE OUTLOOK**

The Corporation intends to focus on increasing production at Parral, constructing the vat leach facility at Santa Gertrudis, as well as continue to process ore from the HGM project. As well, the Corporation intends to continue investigating projects that meet its criteria of being advanced, capable of producing at a low all-in cost and of being developed in a short time frame.

## **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, the Corporation's plans for its mineral projects, and reference to the Corporation's internal forecasts. 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 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, 2016, a copy of which may be obtained on the SEDAR website at [www.sedar.com](http://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.

### **TECHNICAL INFORMATION**

Mr. Terence F. Coughlan, P.Geo, Chairman of the Board of Directors 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.

### **OTHER INFORMATION**

Additional information regarding the Corporation, including the Corporation’s Annual Information Form dated December 14, 2016, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Dated: December 14, 2016