



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended December 31, 2015

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This Management's Discussions and Analysis ("MD&A") of the financial position and results of operations is prepared as at February 10, 2016 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended December 31, 2015 and the notes thereto for GoGold Resources Inc. (the "Corporation"), as well as in conjunction with the Corporation's annual MD&A and audited consolidated financial statements for the year ended September 30, 2015.

The Corporation's unaudited condensed consolidated interim financial statements for the three months ended December 31, 2015 have been prepared in accordance with IAS 34 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, 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.

This MD&A contains certain Forward-Looking Statements as disclosed on page 13 of this document.

OVERVIEW

GoGold Resources Inc. is a Canadian company principally engaged in the exploration, development, and production of gold, silver, and copper 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, as well as the Santa Gertrudis and San Diego exploration projects, both located in Mexico.

OPERATIONAL UPDATE

On January 11, 2016, the Corporation announced the appointment of Brad Langille as President and CEO of the Corporation, replacing Terry Coughlan, who continues to be the Chairman of the Board of Directors. Mr. Langille had previously been a Strategic Advisor to the Corporation. Additionally, Anis Nehme was promoted from Mexico Manager to Chief Operating Officer.

The Corporation is currently focused on completing an expansion of both the stacking circuit and the Merrill-Crowe processing facility which will double ore processing to 10,000 tonnes per day at a capital cost of \$10 million. The increased throughput associated with the expansion will result in lower unit costs and increase future operating margins.

On January 21, 2016, the Corporation announced that the royalty agreement with the Municipality of Parral had been amended to replace the previous 12% net profit royalty ("NPR") and \$30,000 monthly payment with a monthly payment of \$47,500 and no NPR. The monthly payment of \$47,500 increases on a sliding scale based on an increase in the monthly average market price of silver ("Silver Price"). The monthly payment will increase to \$55,000 per month if the Silver Price exceeds \$18 per ounce, \$70,000 per month if the Silver Price exceeds \$24 per ounce, and \$87,500 if the Silver Price exceeds \$28 per ounce. Upon entering into the initial agreement the Corporation had provided the Municipality with a prepayment of \$1,000,000 to be credited against future NPR payments. This prepayment was retained by the Municipality in exchange for eliminating the NPR.

During the quarter ending December 31, 2015 ("Q1 2016"), the Corporation produced 231,253 silver equivalent ounces at a cash cost of \$6.54. Production decreased from the prior quarter as a result of the Corporation's focus on the expansion of the production facilities, which resulted in required shutdowns to

the operation in order to continue with the expansion. Following is a summary of the key performance indicators related to the project:

Key performance indicator:	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Total tailing tonnes placed on leach pad	230,137	335,181	405,596	468,287	375,734	332,076
Gold production (oz)	166	237	318	687	733	784
Silver production (oz)	104,444	212,342	292,267	356,617	252,300	171,047
Silver equivalent production (oz) ¹	115,666	230,240	315,804	408,024	307,822	231,253
Cash cost (per silver equivalent oz) ²	\$ 6.46	\$ 6.62	\$ 5.61	\$ 5.66	\$ 5.65	\$ 6.54
Cash cost (per silver oz) ^{2,3}	\$ 5.17	\$ 5.79	\$ 4.98	\$ 4.42	\$ 3.59	\$ 4.25
AISC (per silver equivalent oz) ^{2,3}	\$14.42	\$13.07	\$ 9.51	\$ 7.77	\$ 7.30	\$ 10.23

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 2014 – 68, Q1 2015 – 76, Q2 2015 – 74, Q3 2015 – 75, Q4 2015 – 76, Q1 2016 - 77).
2. Non-GAAP measure, reconciliation on page 11. All in sustaining costs is abbreviated as AISC.
3. Net of credits from gold sales.

Tonnes placed on the heap leach pad and metal production decreased in Q1 2016 as compared to the quarter ending December 31, 2015 ("Q4 2015"). In Q1 2016, the Corporation was focussed on the expansion of the stacking circuit and as a result there were shutdowns required to the current stacking circuit which resulted in lower stacking in the quarter. In the month of January 2016, there were approximately 160,000 tonnes placed on the leach pad. Management expects this to be the lowest monthly tonnage in the quarter ending March 31, 2016 as the benefits of the expansion are realized.

Cash costs per silver equivalent ounce increased in Q1 2016 as compared to Q4 2015 principally due to two reasons – a decrease in tonnage placed on the leach pad as discussed in the previous paragraph, and a decrease in the grade of the ore deposited on the leach pad. In prior quarters, the tonnage placed and processed on the leach pad was at a silver equivalent grade which was approximately 20% higher than that placed in Q1 2016, which resulted in an increase in the cash cost per ounce. It is management's expectation that going forward the silver equivalent cash cost per ounce should continue to be less than \$7, as the material placed going forward should have similar grades to that placed in Q1 2016.

All in sustaining costs increased in Q1 2016 due to the decrease in silver equivalent production, which resulted in the AISC per silver equivalent ounce increasing. Management expects the AISC to decrease in the upcoming quarter along with the expected increased sales and production of silver equivalent ounces.

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
Dec 31, 2015	3,001	2,176	1,093	(2,447)	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	3,882	992	1,834	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)
Jun 30, 2014	-	-	544	(345)	143,155	104,148	-
Mar 31, 2014	-	-	636	(967)	128,869	91,965	(.01)

In Q4 2015, revenue of \$5,023 was recorded compared to \$3,001 in Q1 2016. The decrease is attributed to a decrease in silver equivalent ounces sold – 347,333 in Q4 2015 as compared to 219,292 in Q1 2016, as well as a decrease in the realized price per ounce to \$13.70 from \$14.46. The decrease in ounces sold is largely related to the decrease in production which is outlined in the operational update on page 3. The decrease in realized price per ounce is attributed to the decrease in world silver and gold prices. For the quarter ending December 31, 2014 (“Q1 2015”), there was no revenue recorded as Parral had yet to achieve commercial production, as a result all metal sales were capitalized.

Cost of sales in Q1 2016 were \$2,176, which consists of amortization and depletion of \$743 and cash production costs of \$1,433, which equates to a cash cost of \$6.54 per silver equivalent ounce. Cost of sales in Q4 2015 were \$3,134 – including amortization and depletion of \$1,170 and cash production costs of \$1,964, which equates to cash cost of sales of \$5.65 per silver equivalent ounce. Cash costs increased in the current period as a result of higher costs per ounce and per tonne stacked due to the reduction of tonnage stacked on the heap leach pad, as well as fewer ounces sold during the quarter. Cost of sales in Q1 2015 were nil, as commercial production had yet to be achieved.

General and Administrative expenses during the quarter ending Q1 2016 were \$1,093, as compared to Q4 2015 which were \$554. The increase in the quarter is attributed to two items – a severance accrual in Q1 2016 and the reversal of previously accrued bonuses in Q4 2015. A severance accrual of \$298 was recorded in December 2015 which relates to senior management changes which were finalized and announced on January 11, 2016. In Q4 2015 general and administrative expenses were lower due to a \$295 reversal of management bonuses which were previously accrued, as management elected not to pay out bonuses due to the decrease in production in Q4 2015. Compared to Q1 2015, the increase from \$992 to \$1,093 is related to the severance accrual offset by a decrease in marketing expenses of \$188.

In Q1 2016, there is a net loss of \$2,447 compared to a net loss of \$2,323 in Q4 2015. Operating loss increased \$1,603 in the current quarter compared to the prior quarter for the reasons outlined above. This is offset by a decrease in interest expense of \$597, a decrease of foreign exchange loss of \$687, and a decrease in loss on derivative liability of \$203. The interest decrease is a result of deferred financing charges which were expensed in Q4 2015 related to the previous debt agreement which was paid out. Foreign exchange decreased in the current quarter as the Mexican peso had minimal change in value against the US dollar, a decrease of 2% in the current quarter as compared to a decrease of 7% in the prior quarter. Net loss in Q1 2016 was comparable to the Q1 2015 net loss of \$2,030 when there was no commercial production.

Shareholder's equity decreased from \$103,856 in Q4 2015 to \$101,970 in Q1 2016 mainly as a function of the comprehensive loss of \$1,923 for the quarter, which is attributed to the net loss explained in the previous paragraphs, offset by a gain on foreign currency translation of foreign operations of \$524 recorded in other

comprehensive income. The gain on foreign subsidiaries is attributed to the weakening of the Canadian dollar against the USD, which results in a gain on the USD denominated debt recorded in the Canadian entity.

EXPLORATION AND EVALUATION ACTIVITIES

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

	San Diego	Santa Gertrudis
Cost at September 30, 2015	\$ 20,527	\$ 18,533
Additions	12	685
Foreign exchange losses	(354)	(337)
Cost at December 31, 2015	\$ 20,185	\$ 18,881

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.

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 Pre-Economic Assessment ("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 Corporation will make a construction decision following the completion of final engineering of the heap leach pad and the processing plant design.

The additions of \$685 for the year are related to additional engineering and drilling as the Corporation continues to work towards making a production decision with respect to the project, as discussed previously. These additions are partially offset by foreign exchange losses of \$337 as the assets of the project are held in Mexican pesos which devalued significantly against the US dollar in the current period.

On September 10, 2014, the Corporation released the results of the Santa Gertrudis PEA that upgraded the previous historic resource estimate to 810,000 ounces of gold indicated (23.3 Mt at 1.08 g/t Au) and 255,000 ounces gold inferred (7.7 Mt at 1.02 g/t Au). 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.

The Santa Gertrudis project contains several former producing gold mines. 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 Au were open pit mined from 22 sedimentary-rock-hosted, disseminated gold deposits. The Corporation acquired a 100% interest in the project from 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 which the Corporation has performed work on 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.

Due to the Corporation's focus on Parral and Santa Gertrudis, there was reduced exploration on the property during 2014 and 2015, with additions of \$12 in the current year, with foreign exchange losses of \$354 as the assets are recorded in Mexican pesos, which declined slightly against the United States dollar in the year.

The Corporation is currently focused on ramping up Parral and doing the work necessary to make a production decision at Santa Gertrudis Project. The Corporation believes the San Diego Property has the potential to hold one or more economic mineral deposits and plans to devote more significant resources to the project after the Santa Gertrudis production decision and development, if deemed economic.

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 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.

Working Capital

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

	Dec 31, 2015	Sept 30, 2015
Current assets	\$ 18,448	\$ 16,796
Current liabilities	6,594	5,803
Working capital	\$ 11,854	\$ 10,993

At December 31, 2015, the Corporation had working capital of \$11,854, compared to \$10,993 at September 30, 2015. In addition to the working capital of \$11,854, there is \$18,000 available to be drawn on the revolving credit facility as outlined in the debt section below. Based on the Corporation's internal forecast, the Corporation expects to be in compliance with all debt covenants for the term of the senior revolving credit facility. These forecasts use various assumptions and estimates which are subject to fluctuation. Management expects the current amount of working capital as well as the \$18,000 available (subject to limitations imposed by the credit facility) from the credit facility to be sufficient to fund the operations of the Corporation as well as the development of the Santa Gertrudis project.

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, and 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. As of December 31, 2015, the Corporation was in compliance with all financial covenants. On December 18, 2015 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. During the three months ended December 31, 2015, the Corporation received proceeds of \$4,000, and made no principal repayments under the facility.

As of December 31, 2015, the Corporation had drawn \$32,000 (September 30, 2015 - \$28,000) and had \$18,000 available (subject to limitations imposed by the credit facility) to draw on the facility (September 30, 2015 - \$22,000).

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 December 31, 2015 is as follows:

	2016	2017	2018	2019	2020
Land payments - San Diego	\$ 178	\$ 178	\$ 178	\$ 178	\$ 178
Minimum royalty and land payments - Parral	1,150	1,150	1,150	1,150	1,150
Land payments - Santa Gertrudis	185	185	185	185	185
Debt principal payments	-	-	32,000	-	-
Trade and other payables	6,359	-	-	-	-
	<u>\$ 7,872</u>	<u>\$ 1,513</u>	<u>\$ 33,513</u>	<u>\$ 1,513</u>	<u>\$ 1,513</u>

Amounts in the above table have changed since year end as a result of the amended royalty agreement with the Municipality of Parral.

OUTSTANDING SHARE DATA

As at December 31, 2015, the Corporation had a total of 162,222,003 common shares issued and outstanding with a carrying amount of \$132,684, as well as 5,040,000 stock options outstanding. Comparative figures for December 31, 2014 were 161,772,580 common shares issued and outstanding and with a carrying amount of \$132,102.

As of the date of this document, the Corporation has 162,222,003 common shares outstanding and 167,262,003 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 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.

The critical estimates and judgments applied in the preparation of the Corporation's Condensed Consolidated Financial Statements for the three months ended December 31, 2015 are consistent with those applied and disclosed in the Corporation's Consolidated Financial Statements for the year ended September 30, 2015. For details of these estimates and judgments please refer to the Corporation's Consolidated Financial Statements and Management's Discussion and Analysis for the year ended September 30, 2015, which are available on the Corporation's website at www.gogoldresources.com or on SEDAR at www.sedar.com.

Change in Accounting Policies

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

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 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>	December 31, 2015		September 30, 2015	
	Level 1	Level 2	Level 1	Level 2
Cash	\$ 1,021	-	\$ 2,721	-
Financial liabilities at fair value through profit and loss:				
Derivative liability	-	\$ 139	-	\$ 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 non-performance by the counterparties and the Corporation's own credit risk. Valuations are based on forward rates considering the market price, rate of interest and volatility, and take into account the credit risk of the financial instrument, and are therefore classified within Level 2 of the fair value hierarchy.

Risk

There were no changes in the Corporation's exposure to risks and other uncertainties, including those related to the mining industry in general or as described in the Corporation's Annual Information Form for the year ended September 30, 2015, during the first three months of fiscal 2016. Additional detail on risks and uncertainties is discussed in the Corporation's Annual Information Form dated December 16, 2015, a copy of which may be obtained on the SEDAR website at www.sedar.com, as well as other continuous disclosure materials filed from time to time with Canadian securities regulatory authorities.

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

(a) 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.

(b) 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 \$42 and value added tax from the Federal Government of Mexico of \$6,498. Exposure on trade receivables is limited as all receivables are paid within 10 business days and are with one customer who the Corporation has a strong working relationship 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.

(c) 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 on a cash call basis 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 will be affected by foreign exchange fluctuations and will affect the Corporation's net loss. At December 31, 2015, GoGold Resources Inc. had net monetary liabilities in US dollars of \$31,130 (September 30, 2015 - \$25,369), for which a 10% appreciation in US exchange rates would affect net loss by approximately \$3,113, which would then be offset by a corresponding gain recorded through foreign currency translation differences recorded through other comprehensive income. At December 31, 2015, the Corporation had net monetary assets in Mexican Pesos of approximately \$1,040 (September 30, 2015 - \$509), for which a 10% appreciation in Mexican Peso exchange rates would reduce net loss by approximately \$104.

(d) 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 debt as detailed on page 8 bears interest based on the LIBOR rate, for which a 1% increase or decrease would result in an increase of annual interest expense of \$320.

(e) 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 December 31, 2015, the Corporation had cash balances of \$1,021 (September 30, 2015 - \$2,721) for settling current liabilities of \$6,594 (September 30, 2015 - \$5,588). As of December 31, 2015, the Corporation had \$18,000 available (subject to limitations imposed by the credit facility) on the senior revolving credit facility as detailed on page 8, which ensured there would be sufficient liquidity to fund current operations as well as development of assets.

The Corporation's senior revolving credit facility has financial covenants (see page 8), some of which are dependent on the financial results of the Corporation. Should the Corporation not achieve planned financial results they may violate one or more covenants.

Derivatives

As at December 31, 2015, 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 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. The contracts began on September 1, 2015 and expire on August 31, 2016. These contracts had a negative fair value of \$139 as of December 31, 2015 (September 30, 2015 - \$174), all of which has been recognized in net income.

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.

	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Production costs, except amortization and depletion	\$ -	\$ -	\$ 17	\$ 2,694	\$ 1,964	\$ 1,433
Production costs capitalized to development costs ¹	747	1,036	1,525	-	-	-
Total cash costs	747	1,036	1,542	2,694	1,964	1,433
Silver equivalent ounces sold ²	115,666	156,459	274,765	476,198	347,333	219,292
Cash cost per silver equivalent ounce	\$6.46	\$6.62	\$5.61	\$5.66	\$5.65	\$6.54
Total cash costs, per above	747	1,036	1,542	2,694	1,964	1,433
Gold sales recorded as a credit to development costs ¹	(208)	(208)	(251)	-	-	-
Gold sales	-	-	-	(824)	(954)	(729)
Total cash costs, net of gold sales	539	828	1,291	1,870	1,010	704
Silver ounces sold ²	104,444	142,907	259,138	423,471	281,429	165,801
Cash cost per silver ounce, net of gold credits	\$ 5.17	\$ 5.79	\$ 4.98	\$ 4.42	\$ 3.59	\$ 4.25
Total cash costs, per above	747	1,036	1,542	2,694	1,964	1,433
General and administrative costs ³	921	992	1,054	992	554	795
Accretion expense	-	17	18	18	18	15
All in sustaining costs	1,668	2,045	2,614	3,704	2,536	2,243
Silver equivalent ounces sold ²	115,666	156,459	274,765	476,198	347,333	219,292
All in sustaining costs per silver equivalent ounce	\$14.42	\$13.07	\$9.51	\$7.77	\$7.30	\$10.23

1. Prior to March 1, 2015, all operational costs and metal sales were capitalized to development assets as the project had yet to achieve commercial production. Any ounces in finished goods inventory as of March 1, 2015 were attributed to the commissioning stage and the sales of those ounces as well as the cost of sales attributed to those ounces were capitalized.
2. Includes all ounces sold, including those capitalized to development assets prior to commercial production.
3. Excludes one-time material severance charges of \$298 in Q1 2016.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no material changes in the Corporation's internal control over financial reporting during the quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

FUTURE OUTLOOK

Given the current state of the capital markets and commodity prices, the Corporation intends to focus on ramping up the operation and increasing production at Parral. The Corporation intends to make a construction decision regarding Santa Gertrudis following the completion of final engineering of the heap leach pad and the processing plant design. 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 and the Corporation’s plans for its mineral projects. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this document. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the ability of the Corporation to obtain necessary financing, satisfy conditions under any acquisition agreement, or satisfy the requirements of the Toronto Stock Exchange 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, 2015, a copy of which may be obtained on the SEDAR website at www.sedar.com, as well as other continuous disclosure materials filed from time to time with Canadian securities regulatory authorities.

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

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 16, 2015, is available on SEDAR at www.sedar.com.

Dated: February 10, 2016