# MANAGEMENT'S DISCUSSION AND ANALYSIS

**For the three and six months ended March 31, 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 May 12, 2016 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and six months ended March 31, 2016 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 and six months ended March 31, 2016 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 ("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.*

*This MD&A contains certain Forward-Looking Statements as disclosed on page 13 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, 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

In March 2016, the Corporation completed enhancements to Parral which increased nameplate stacking capacity from 5,000 tonnes per day ("tpd") to 10,000 tpd and also increased processing capabilities at the Merrill-Crowe facility. As a result of this, the Corporation was able to stack a record 538,965 tonnes of tailings on the leach pad in the quarter, an increase of 33% from the quarter ending March 2015 ("Q2 2015"), and an increase of 62% from the prior quarter. Management expects to improve on this figure in the June 2016 quarter, and reports that there were 218,789 tonnes placed in the month of April.

During the quarter ending March 31, 2016 ("Q2 2016"), the Corporation placed 615,121 recoverable silver equivalent ounces on the leach pad. This is an increase of 175,996 ounces from the quarter ending December 31, 2015 ("Q1 2016"), or 40%, which is attributed to the increased tonnes stacked in the quarter. The 615,121 recoverable ounces placed is a decrease from Q2 2015, where 723,077 recoverable silver equivalent ounces were stacked. The decrease is mainly attributed to the decrease in recoverable grade from 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. GoGold expects to stack 800,000 to 900,000 recoverable silver equivalent ounces for the quarter ending June 30, 2016 which will translate into continued production growth for the quarter.

In Q2 2016, the Corporation produced 335,183 silver equivalent ounces compared to 315,804 silver equivalent ounces in Q2 2015, which represents an increase of 6%. Production is up primarily as there is more material under irrigation on the leach pad as a result of the expanded capabilities of the project due to the enhancements. Production is also up compared to Q1 2016, which was 231,253 silver equivalent ounces for the same reason. Production in Q1 2016 was also impacted as there were some required shutdowns to complete the expansion.

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

| **Key performance indicator:** | **Q2 2015** | **Q3 2015** | **Q4 2015** | **Q1 2016** | **Q2 2016** |
|---|---|---|---|---|---|
| Total tailing tonnes placed on leach pad | 405,596 | 468,287 | 375,734 | 332,076 | 538,965 |
| Recoverable silver equivalent ounces stacked[2] | 723,077 | 801,780 | 600,508 | 439,125 | 615,121 |
| Gold production (oz) | 318 | 687 | 733 | 784 | 1,382 |
| Silver production (oz) | 292,267 | 356,617 | 252,300 | 171,047 | 222,388 |
| Silver equivalent production (oz)[1] | 315,804 | 408,024 | 307,822 | 231,253 | 335,183 |
| Cash cost (per silver equivalent oz)[2] | $ 5.61 | $ 5.66 | $ 5.65 | $ 6.54 | $ 6.78 |
| Cash cost (per silver oz)[2,3] | $ 4.98 | $ 4.42 | $ 3.59 | $ 4.25 | $ 2.73 |
| AISC (per silver equivalent oz) [2,3] | $ 9.51 | $ 7.77 | $ 7.30 | $ 10.23 | $ 9.44 |

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: Q2 2015 – 74, Q3 2015 – 75, Q4 2015 – 76, Q1 2016 – 77, Q2 2016 - 82.
2. Non-GAAP measure, reconciliation on page 12. All in sustaining costs is abbreviated as AISC.
3. Net of credits from gold sales.

Cash costs per silver equivalent ounce increased slightly from $6.54 in Q1 2016 to $6.78 in Q2 2016 principally due a decrease in the grade of the ore deposited on the leach pad. Cash costs per silver equivalent ounce increased from $5.61 in Q2 2015 to $6.78 in Q2 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 continue to be less than $7, as the material placed going forward should have similar grades to that placed in Q2 2016.

All in sustaining costs decreased from $9.51 in Q2 2015 to $9.44 in Q2 2016 due to a decrease in general and administrative cost as well as increased production which further diluted the general and administrative costs per ounce. This was partially offset by increased cash costs as discussed in the prior paragraph. AISC decreased from $10.23 in Q1 2016 to $9.44 in Q2 2016 mainly due to the increase in produced ounces. Management expects the AISC to decrease in the upcoming quarter with the expected increased sales and production of silver equivalent ounces. Cash costs per silver ounce decreased significantly from $4.98 in Q2 2015 and $4.25 in Q1 2016 to $2.73 in Q2 2016, which is principally due to the fact that the ratio of gold produced to silver produced has increased significantly, and gold is accounted for as a reduction of costs using this metric.

## 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 |
|---|---|---|---|---|---|---|---|
| Mar 31, 2016 | 5,081 | 3,625 | 918 | (16,963) | 129,906 | 82,710 | (.10) |
| 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 | - |

In Q2 2016, revenue of $5,081 was recorded compared to $3,001 in Q1 2016. The increase is attributed to an increase in silver equivalent ounces sold; from 219,292 in Q1 2016 to 348,991 in Q2 2016, as well as an increase in the realized price per ounce to $14.57 from $13.70. The increase in ounces sold coincides with the increase in production which is outlined in the operational update on page 3. The increase in realized price per ounce is attributed to the increase in world silver and gold prices. For the quarter ending March 31, 2015, there was $39 of revenue recorded, as commercial production was achieved on March 1, 2015, and there were few sales in that quarter which were produced subsequent to the declaration of commercial production. Revenues for the six months ending March 31, 2016 of $8,081 are up significantly from the revenues for the six months ending March 31, 2015 of $39 as commercial production was achieved on March 1, 2015.

Cost of sales in Q2 2016 were $3,625, which consists of amortization and depletion of $1,261 and cash production costs of $2,364, which equates to a cash cost of $6.78 per silver equivalent ounce. This compares to cost of sales in Q1 2016 of $2,176, consisting of amortization and depletion of $743 and cash production costs of $1,433, with a cash cost of $6.54 per silver equivalent ounce. Cash production costs increased in the current period as a result of the increase in ounces sold as well as the increase in cost per ounce, which is attributed to a decrease in grade of ore as explained on page 3. Cost of sales in Q2 2015 were minimal, which is consistent with the revenue in the quarter as commercial production was achieved on March 1, 2015. Similarly, costs of sales for the six months ended March 31, 2016 of $5,801 were up significantly from the six months ended March 31, 2015 of $23 due to achieving commercial production March 1, 2015.

General and administrative expenses during the quarter ending Q2 2016 were $918 compared to $1,093 in Q1 2016. The decrease is attributed to a severance accrual of $298 which was recorded in Q1 2016 which related to senior management changes. This is partially offset by an increase in stock based compensation of $80 from Q1 2016 to Q2 2016. General and administrative expenses have decreased from the prior year, where they were $1,054 in Q2 2015. This decrease is attributed to reduced marketing costs as well as savings associated with the senior management changes which were completed in January 2016. General and administrative costs for the six months ending March 31, 2016 of $2,011 were comparable to $2,046 for the six months ending March 31, 2015.

Net loss in the current quarter was significantly impacted by 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. 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 dollar 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 impairment charges in Q1 2016 or Q2 2015.

With the impairment charge excluded, adjusted net income for Q2 2016 would have been $3,067, which is an increase of $6,630 over the net loss of $3,563 in Q2 2015. Significant contributors of this increase include an increase in foreign exchange of $4,629, from a loss of $2,127 in Q2 2015 to a gain of $2,502 in Q2 2016, and an increase in operating income of $1,575, from a loss of $1,038 in Q2 2015 to income of $538 in Q2 2016. The foreign exchange gain in Q2 2016 is principally related to the appreciation of the Canadian dollar ("CAD") by 7% against the USD in the quarter. Given the parent entity GoGold Resources Inc. has a functional currency of CAD, the appreciation of the CAD against the USD causes foreign exchange gains 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 attributed to the debt are then offset by an equal loss in foreign currency translation which is recorded through other comprehensive income at the consolidated financial statement level. The foreign exchange loss in Q2 2015 is attributed to a decrease of 9% in the value of the CAD against the USD. The increase in operating income is due to commercial production only being achieved in March 1, 2015, resulting in Q2 2015 having an operating loss.

In Q1 2016, there is a net loss of $2,447 compared to an adjusted net income of $3,067 in Q2 2016 which excludes the impairment charge. This increase of $5,514 is mainly attributed to increases related to foreign exchange of $3,907, operating income increases of $806, and tax recovery increases of $841. In Q1 2016, there was a foreign exchange loss of $1,405 which was related primarily to the decrease in CAD of 4% against the USD, compared to a gain of $2,502 in Q2 2016 which was explained in the prior paragraph. Operating income increased to $538 in Q2 2016 from a loss of $268 in Q1 2016 as a function of the change in revenues and cost of sales as outlined in prior paragraphs. In Q2 2016, there was a tax recovery of $395 which was attributed to recoveries associated with the impairment of the San Diego property, compared to tax expense of $446 in the prior quarter which is attributed to the profitability of the Parral project.

Shareholder's equity decreased from $101,970 in Q1 2016 to $82,710 in Q2 2016 mainly as a function of the net loss in the quarter which is attributed principally to the $20,030 impairment charge. In addition to the net loss of $16,963 there was a loss of $2,460 on foreign currency translation recorded through other comprehensive loss, which is the offset of the foreign exchange gain as discussed above. The decrease in total assets from $143,887 in Q1 2016 to $129,906 in Q2 2016 is attributed to the impairment charge of $20,030, which is offset by increases in inventory of $3,545 due to the increase in tonnage placed on the leach pad with the enhancements completed, as well as additions of $2,223 to property, plant and equipment related to the Parral enhancements.

## 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 | 84 | 1,054 |
| Impairment | (20,030) | |
| Foreign exchange losses | (363) | (341) |
| **Cost at March 31, 2016** | $ 218 | $ 19,246 |

**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 $1,054 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 $341 as the assets of the project are held in Mexican pesos which devalued significantly against the US dollar in the current year to date.

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 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 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 period.

## 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:

| | Mar 31, 2016 | Sept 30, 2015 |
|---|---|---|
| Current assets | $ 23,885 | $ 16,796 |
| Current liabilities | 8,215 | 5,803 |
| Working capital | $ 15,670 | $ 10,993 |

At March 31, 2016, the Corporation had working capital of $15,670, compared to $10,993 at September 30, 2015. In addition to the working capital of $15,670, there is $14,000 available (subject to limitations imposed by the financial covenants of the credit facility) 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 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, 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. 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. On March 31, 2016, the Corporation received a waiver of the tangible net worth covenant as a result of the impairment recorded on the San Diego property as described on page 7, which waives the covenant for the March 31, 2016 reporting period, and subsequently received a permanent amendment on May 10, 2016 which reduces the tangible net worth covenant requirement by the amount of the San Diego impairment.

The credit facility has covenants that include, but are not limited to, a 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 prior to September 30, 2016 that the ratio of debt to EBITDA, determined on a rolling four quarter basis, does not exceed 4.0 to 1 and at all times on and after September 30, 2016 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. As of March 31, 2016, GoGold's ratio of debt to EBITDA was 3.9 to 1 and EBITDA to interest expense was 6.3 to 1. The Corporation was in compliance with all covenants other than the covenant which was waived as discussed above.

During the three and six months ended March 31, 2016, the Corporation received proceeds of $4,000 and $8,000, and made no principal repayments under the facility. As of March 31, 2016, the Corporation had drawn $36,000 (September 30, 2015 - $28,000). In the event the Corporation exceeds any of the covenants under the credit facility, its ability to borrow funds may be restricted. As at March 31, 2016, the availability was $800.

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 March 31, 2016 is as follows:

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Land payments - San Diego | $ 25 | $ 82 | $ 98 | $ - | $ - |
| Minimum royalty and land payments - Parral | 655 | 1,150 | 1,150 | 1,150 | 1,150 |
| Land payments - Santa Gertrudis | 137 | 185 | 185 | 185 | 185 |
| Debt principal payments | - | - | 36,000 | - | - |
| Operational and sustaining capital requirements - Parral | 3,101 | - | - | - | - |
| Trade and other payables | 8,004 | - | - | - | - |
| | $ 11,922 | $ 1,417 | $ 37,433 | $ 1,335 | $ 1,335 |

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 March 31, 2016, the Corporation had a total of 162,302,003 common shares issued and outstanding with a carrying amount of $132,764, as well as 4,960,000 stock options outstanding. Comparative figures for March 31, 2015 were 162,072,003 common shares issued and outstanding with a carrying amount of $132,654.

As of the date of this document, the Corporation has 162,302,003 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 and six months ended March 31, 2016 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:

| *(in thousands USD)* | **March 31, 2016** | | **September 30, 2015** | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 1 | Level 2 |
| Cash | $ 997 | - | $ 2,721 | - |
| Financial liabilities at fair value through profit and loss: | | | | |
| Derivative liability | - | $ 84 | - | $ 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 six 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 $81 and value added tax from the Federal Government of Mexico of $7,519. 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 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 March 31, 2016, GoGold Resources Inc. had net monetary liabilities in US dollars of $34,944 (September 30, 2015 – $25,369), for which a 10% appreciation in US exchange rates would affect net loss by approximately $3,494, which would then be offset by a corresponding gain recorded through foreign currency translation differences recorded through other comprehensive income. At March 31, 2016, the Corporation had net monetary assets in Mexican Pesos of approximately $586 (September 30, 2015 - $509), for which a 10% appreciation in Mexican Peso exchange rates would reduce net loss by approximately $59.

*(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 long term 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 or decrease of annual interest expense of $360.

*(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 March 31, 2016, the Corporation had cash balances of $997 (September 30, 2015 - $2,721) for settling current liabilities of $8,215 (September 30, 2015 - $5,588). In addition to cash on hand, the Corporation has additional current assets including trade receivables of $2,515 which, combined with the cash flows from operations and the credit facility as detailed below, are sufficient to maintain liquidity in the Corporation.

The Corporation has funds available from the credit facility as detailed on page 8. The Corporation's senior revolving credit facility has financial covenants (detailed on 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. In the event the Corporation exceeds any of the covenants under the credit facility, its ability to borrow funds may be restricted. As at March 31, 2016 the maximum the Corporation could draw without exceeding covenants was $800.

**Derivatives**

As at March 31, 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 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 $84 as of March 31, 2016 (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.

| | Q2 2015 | Q3 2015 | Q4 2015 | Q1 2016 | Q2 2016 |
|---|---|---|---|---|---|
| Production costs, except amortization and depletion | $ 17 | $ 2,694 | $ 1,964 | $ 1,433 | $ 2,364 |
| Production costs capitalized to development costs[1] | 1,525 | - | - | - | - |
| Total cash costs | 1,542 | 2,694 | 1,964 | 1,433 | 2,364 |
| Silver equivalent ounces sold[2] | 274,765 | 476,198 | 347,333 | 219,292 | 348,991 |
| Cash cost per silver equivalent ounce | **$5.61** | **$5.66** | **$5.65** | **$6.54** | **$6.77** |
| | | | | | |
| Total cash costs, per above | 1,542 | 2,694 | 1,964 | 1,433 | 2,364 |
| Gold sales recorded as a credit to development costs[1] | (251) | - | - | - | - |
| Gold sales | - | (824) | (954) | (729) | (1,740) |
| Total cash costs, net of gold sales | 1,291 | 1,870 | 1,010 | 704 | 624 |
| Silver ounces sold[2] | 259,138 | 423,471 | 281,429 | 165,801 | 229,372 |
| Cash cost per silver ounce, net of gold credits | **$ 4.98** | **$ 4.42** | **$ 3.59** | **$ 4.25** | **$ 2.72** |

| | | | | | |
|---|---|---|---|---|---|
| Total cash costs, per above | 1,542 | 2,694 | 1,964 | 1,433 | 2,364 |
| General and administrative costs[3] | 1,054 | 992 | 554 | 795 | 918 |
| Accretion expense | 18 | 18 | 18 | 15 | 14 |
| All in sustaining costs | 2,614 | 3,704 | 2,536 | 2,243 | 3,296 |
| Silver equivalent ounces sold[2] | 274,765 | 476,198 | 347,333 | 219,292 | 348,991 |
| All in sustaining costs per silver equivalent ounce | **$9.51** | **$7.77** | **$7.30** | **$10.23** | **$9.44** |

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 March 31, 2016 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 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: May 12, 2016