



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**QUARTER ENDED**

**DECEMBER 31, 2018**

**(in thousands of United States Dollars unless stated otherwise)  
(unaudited)**



**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Unaudited - in thousands of United States dollars)

	<u>December 31 2018</u>	<u>September 30 2018</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 10,880	\$ 8,276
Marketable securities (Note 3)	6,234	-
Trade receivables	651	10
Input tax recoverable	3,508	3,879
Prepaid expenses	285	232
Inventories (Note 4)	<u>7,412</u>	<u>6,324</u>
	<b>28,970</b>	<b>18,721</b>
Non-current assets:		
Input tax recoverable	4,932	5,349
Deferred income taxes	-	1,890
Inventories (Note 4)	11,833	12,302
Property, plant and equipment (Note 5)	<u>26,024</u>	<u>26,294</u>
<b>Total assets</b>	<b><u>\$ 71,759</u></b>	<b><u>\$ 64,556</u></b>
<b>LIABILITIES</b>		
Current liabilities:		
Trade and other payables	3,644	3,818
Non-current liabilities:		
Provision for site restoration	1,238	1,452
Derivative liability (Note 10 (d))	<u>428</u>	<u>352</u>
<b>Total liabilities</b>	<b><u>5,310</u></b>	<b><u>5,622</u></b>
<b>EQUITY</b>		
Share capital (Note 6)	142,465	142,465
Contributed surplus	7,610	7,532
Accumulated other comprehensive loss	(6,239)	(5,523)
Deficit	<u>(77,387)</u>	<u>(85,540)</u>
<b>Total equity</b>	<b><u>66,449</u></b>	<b><u>58,934</u></b>
<b>Total liabilities and equity</b>	<b><u>\$ 71,759</u></b>	<b><u>\$ 64,556</u></b>

Commitments (Note 11)

*See accompanying notes to the unaudited condensed consolidated interim financial statements.*



## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited - in thousands of United States dollars, except per share amounts)

	<u>December 31</u> <u>2018</u>	<u>December 31</u> <u>2017</u>
For the three months ended		
Revenue from mining operations	<u>\$ 3,850</u>	<u>\$ 5,832</u>
Cost of sales:		
Production costs, except amortization and depletion	3,342	3,070
Amortization and depletion	963	1,452
Inventory net realizable value adjustment (Note 4)	<u>1,132</u>	<u>1,544</u>
	<u>5,437</u>	<u>6,066</u>
General and administrative	<u>1,137</u>	<u>1,041</u>
Operating loss	<u>(2,724)</u>	<u>(1,275)</u>
Finance costs	(46)	(622)
Foreign exchange gain (loss)	373	(343)
Fair market value adjustment on marketable securities	452	-
Gain on sale of royalty (Note 3)	11,837	-
(Loss) gain on derivative liability	(76)	21
Interest and dividend income	<u>227</u>	<u>-</u>
	<u>12,767</u>	<u>(944)</u>
Income before income taxes	<u>10,043</u>	<u>(2,219)</u>
Current income tax recovery	-	15
Deferred income tax (expense) recovery	<u>(1,890)</u>	<u>541</u>
	<u>(1,890)</u>	<u>556</u>
Net income (loss) from continuing operations	<u>8,153</u>	<u>(1,663)</u>
Net income from discontinued operations (Note 7)	<u>-</u>	<u>30,157</u>
Net income	<u>8,153</u>	<u>28,494</u>
Other comprehensive income (loss):		
Foreign currency translation differences arising on translation of foreign subsidiaries which may subsequently be cycled through net income	(716)	(122)
Reclassification of foreign exchange loss on translation into net income due to discontinued operations	<u>-</u>	<u>14,535</u>
Total comprehensive income for the period	<u>\$ 7,437</u>	<u>\$ 42,907</u>
Per share (Note 6):		
Basic net income (loss) from continuing operations	\$ 0.05	\$ (0.01)
Basic net income from discontinued operations	\$ -	\$ 0.19
Basic net income per share	\$ 0.05	\$ 0.18
Fully diluted net income (loss) from continuing operations	\$ 0.05	\$ (0.01)
Fully diluted net income from discontinued operations	\$ -	\$ 0.19
Fully diluted net income per share	\$ 0.05	\$ 0.18

*See accompanying notes to the unaudited condensed consolidated interim financial statements.*



**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited - in thousands of United States dollars)

For the three months ended	<u>December 31 2018</u>	<u>December 31 2017</u>
Cash provided by (used in) the following activities:		
Operating activities		
Net income for the period	\$ 8,153	\$ 30,035
Items not involving cash:		
Amortization and depletion	963	1,452
Amortization of deferred financing fees and accretion	29	222
Deferred income taxes	1,890	6,606
Unrealized fair market value adjustment on marketable securities	(452)	-
Foreign exchange (gain) loss	(373)	343
Loss (gain) on derivative liability	76	(21)
Gain on sale of assets	(11,837)	(54,344)
Inventory net realizable value adjustment (Note 4)	1,132	1,544
Reclassification of foreign exchange loss on translation from other comprehensive income	-	14,535
Share based compensation	78	75
	<u>(341)</u>	<u>447</u>
Net change in non-cash working capital (Note 8)	<u>(2,869)</u>	<u>(11,670)</u>
Net cash used in operating activities	<u>(3,210)</u>	<u>(11,223)</u>
Investing activities		
Net proceeds on sale of Santa Gertrudis	-	76,770
Net cash proceeds on sale of royalty (Note 3)	5,837	-
Purchase of property, plant and equipment	<u>(77)</u>	<u>(1,730)</u>
Net cash provided by (used in) investing activities	<u>5,760</u>	<u>75,040</u>
Financing activities		
Repayment of long term debt	-	(46,500)
Repayment of term loan	<u>-</u>	<u>(7,500)</u>
Net cash (used in) provided by financing activities	<u>-</u>	<u>(54,000)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>54</u>	<u>11</u>
Net increase (decrease) in cash and cash equivalents	2,604	9,828
Cash and cash equivalents, beginning of period	<u>8,276</u>	<u>4,606</u>
Cash and cash equivalents, end of period	<u>\$ 10,880</u>	<u>\$ 14,434</u>



## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited - in thousands of United States dollars)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Surplus (Deficit)	Total equity
Balance at October 1, 2017	171,376,481	\$ 141,904	\$ 7,297	\$ (19,528)	\$ (41,847)	\$ 87,826
Net income	-	-	-	-	28,494	28,494
Other comprehensive income	-	-	-	14,413	-	14,413
Stock-based compensation (Note 6)	-	-	75	-	-	75
<b>Balance at December 31, 2017</b>	<b>171,376,481</b>	<b>141,904</b>	<b>7,372</b>	<b>(5,115)</b>	<b>(13,353)</b>	<b>130,808</b>
Balance at October 1, 2018	171,776,481	142,465	7,532	(5,523)	(85,540)	58,934
Net income	-	-	-	-	8,153	8,153
Other comprehensive loss	-	-	-	(716)	-	(716)
Stock-based compensation (Note 6)	-	-	78	-	-	78
<b>Balance at December 31, 2018</b>	<b>171,776,481</b>	<b>\$ 142,465</b>	<b>\$ 7,610</b>	<b>\$ (6,239)</b>	<b>\$ (77,387)</b>	<b>\$ 66,449</b>

*See accompanying notes to the unaudited condensed consolidated interim financial statements.*



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended December 31, 2018

(Unaudited - in thousands of United States dollars unless otherwise stated)

### 1. NATURE OF OPERATIONS

GoGold Resources Inc. (the “Corporation”) is a company domiciled in Canada. The address of the Corporation’s registered office is #1301-2000 Barrington Street, Cogswell Tower, Halifax, Nova Scotia, B3J 3K1. The Corporation’s common shares are listed on the Toronto Stock Exchange trading under the symbol GGD. The unaudited condensed consolidated interim financial statements of the Corporation comprise the Corporation and its subsidiaries. The principal business of the Corporation is the exploration, development, and production of gold and silver primarily in Mexico.

### 2. BASIS OF PREPARATION

#### a) Statement of compliance

These condensed consolidated interim financial statements are prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”).

These condensed consolidated interim financial statements do not include all disclosures required by International Financial Reporting Standards (“IFRS”) for annual consolidated financial statements and accordingly should be read in conjunction with the Corporation’s audited consolidated financial statements for the year ended September 30, 2018 prepared in accordance with IFRS.

These condensed consolidated interim financial statements were approved by the directors of the Corporation on February 6, 2019.

#### b) Changes to accounting policies

Except as described below, these condensed consolidated interim financial statements were prepared using the same accounting policies and methods of computation and are subject to the same use of estimates and judgments, as the Corporation’s consolidated financial statements for the year ended September 30, 2018.

#### *Financial Instruments (“IFRS 9”)*

The Corporation adopted IFRS 9, which replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”), beginning on October 1, 2018, the mandatory effective date. IFRS 9 includes a revised model for classifying financial assets, which results in classification according to a financial instruments’ contractual cash flow characteristics and the business models under which they are held. The Corporation has adopted IFRS 9 on a modified retrospective basis in accordance with the transitional provisions of IFRS 9. As such, comparative figures have not been restated, and the adoption of the standard did not result in a change in carrying value of any of the Corporation’s financial instruments upon transition.

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Corporation’s financial statements.

An equity investment that is held for trading is measured at fair value through profit or loss. For other equity investments that are not held for trading, the Corporation may irrevocably elect to designate them as fair value through other comprehensive income. This election is made on an investment-by-investment basis.

The Corporation’s financial instruments are accounted for as follows under IFRS 9 as compared to the previous policy in accordance with IAS 39:

	IAS 39	IFRS 9
<b>Assets</b>		
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Marketable securities	Available-for-sale	Fair value through profit or loss



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Unaudited - in thousands of United States dollars unless otherwise stated)

	IAS 39	IFRS 9
<b>Liabilities</b>		
Trade and other payables	Other financial liabilities	Amortized cost
Derivative financial instruments	Fair value through profit or loss	Fair value through profit or loss
Term loan	Other financial liabilities	Amortized cost
Long term debt	Other financial liabilities	Amortized cost

As a result of the adoption of IFRS 9, the Corporation's accounting policy for financial instruments has been updated as follows:

The Corporation recognizes financial assets and financial liabilities on the date the Corporation becomes party to the contractual provisions of the instruments. A financial asset is derecognized either when the Corporation has transferred substantially all the risks and rewards of ownership of the financial assets or when cash flows expire. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

The Corporation classifies and measures financial assets and liabilities on initial recognition as described below:

- Cash and equivalents include cash, term deposits, treasury bills and money market investments with original maturities of less than 90 days and are classified as and measured at fair value through profit or loss.
- Trade receivables are classified as and measured at fair value through profit or loss using the effective interest method less any allowance for impairment.
- Marketable securities, including equity instruments, are designated as fair value through profit or loss and are recorded at fair value on settlement date, net of transaction costs. Subsequent to initial recognition, changes in fair value are recognized in income.
- Derivative financial instruments are recorded at fair value through profit or loss. Subsequent to initial recognition, changes in estimated fair value at each reporting date are recognized through profit or loss. The fair value of derivative financial instruments is based on forward rates considering the market price, rate of interest and volatility and takes into account the credit risk of the counterparty.
- Trade and other payables, term loans and long term debt are classified and measured at amortized cost. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

### *Revenue from Contracts with Customers ("IFRS 15")*

The Corporation adopted IFRS 15 on October 1, 2018, the mandatory effective date, using the modified retrospective approach. IFRS 15 replaces 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*. Under the modified retrospective approach, the Corporation recognizes transition adjustments, if any, in retained earnings on the date of initial application (October 1, 2018), without restating the financial statements on a retrospective basis. Accordingly, the comparative information for prior periods have not been restated and the information presented for fiscal 2018 reflects the requirements of IAS 18, IAS 11, and the related interpretations.

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing 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, which the Corporation has used in reviewing its contracts with customers. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control requires judgment.

As a result of the adoption of IFRS 15, the Corporation's accounting policy for revenue recognition has been updated as follows:

Revenue from the sale of gold and silver contained in doré or precipitate is recognized when contracts with customers have been identified, performance obligations in the contract have been identified, transaction price is reasonably estimable, transaction price is allocated to the performance obligations in the contract, and performance obligation in the contract is



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satisfied. Generally, the performance obligations of the contract are met once shipments are received by the customer. Revenue is measured at the fair value of the consideration received or receivable and may be subject to adjustment once final weights and assays are determined.

On adoption of IFRS 15, trade receivables increased by \$305 and finished goods inventory decreased by \$305. There were no material differences recognized on the adoption of this standard.

### *Share based payments ("IFRS 2")*

The Corporation adopted IFRS 2, Share-based Payments, effective October 1, 2018, with no impact on the condensed consolidated interim financial statements.

The Corporation has not adopted the following standard, as they are not yet effective for the year ending September 30, 2019:

### *Leases ("IFRS 16")*

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 annual 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.

### 3. MARKETABLE SECURITIES AND SALE OF ROYALTY

On November 7, 2018, the Corporation closed the sale of the 2% net smelter royalty on the Santa Gertrudis project for \$12,000 to Metalla Royalty and Streaming Ltd ("Metalla"), of which \$6,000 was paid in cash and the balance was settled by 10,123,077 common shares of Metalla. Metalla is traded on the TSX-V Exchange under the symbol MTA. The market price on the closing date was CAD \$0.78 per common share for a total value of \$6,000 which, after transaction costs of \$163, resulted in net proceeds and an equivalent pre-tax gain of \$11,837, of which the cash portion was \$5,837. The Metalla shares are subject to a four month hold period.

The market price of the Metalla shares at December 31, 2018 was CAD \$0.84. The Corporation recognized a \$452 unrealized gain on the marketable securities in net income in the three months ended December 31, 2018.

### 4. INVENTORIES

	<u>December 31, 2018</u>	<u>September 30, 2018</u>
<b>Current:</b>		
Supplies inventory	\$ 749	\$ 573
In process inventory	5,448	4,781
Finished goods inventory	1,215	970
	<u>7,412</u>	<u>6,324</u>
<b>Long term:</b>		
In process inventory	11,833	12,302
	<u>\$ 19,245</u>	<u>\$ 18,626</u>

The amount of inventory included in cost of sales was for the three months ended December 31, 2018 was \$5,437 (2017 – \$6,066). As a result of lower than expected metal prices, an assessment of the net realizable value of in process inventory was completed. This assessment resulted in a reduction of inventory carrying value for the three months ended December 31, 2018 of \$1,132 (2017 – \$1,544), which included adjustments to amortization and depletion of \$188 (2017 - \$330). The assessment





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(Unaudited - in thousands of United States dollars unless otherwise stated)

of the net realizable value of the inventory is sensitive to fluctuations in the consensus future silver and gold price, a change of 5% in future price would result in a change in carrying value of \$1,186.

### 5. PROPERTY, PLANT AND EQUIPMENT

<b>Cost</b>	<u>Plant &amp; Equipment</u>	<u>Mining Properties</u>	<u>Total</u>
At September 30, 2018	\$ 46,165	\$ 57,317	\$ 103,482
Additions	74	9	83
Reclamation obligation adjustments	-	(182)	(182)
Foreign exchange adjustments	(6)	-	(6)
<b>At December 31, 2018</b>	<b><u>\$ 46,233</u></b>	<b><u>\$ 57,144</u></b>	<b><u>\$ 103,377</u></b>

<b>Accumulated Amortization and Impairment</b>	<u>Plant &amp; Equipment</u>	<u>Mining Properties</u>	<u>Total</u>
At September 30, 2018	\$ 22,870	\$ 54,318	\$ 77,188
Amortization and depletion	166	4	170
Foreign exchange adjustments	(5)	-	(5)
<b>At December 31, 2018</b>	<b><u>\$ 23,031</u></b>	<b><u>\$ 54,322</u></b>	<b><u>\$ 77,353</u></b>

<b>Net Carrying Value</b>	<u>Plant &amp; Equipment</u>	<u>Mining Properties</u>	<u>Total</u>
At September 30, 2018	\$ 23,295	\$ 2,999	\$ 26,294
<b>At December 31, 2018</b>	<b><u>\$ 23,202</u></b>	<b><u>\$ 2,822</u></b>	<b><u>\$ 26,024</u></b>

For the three months ended December 31, 2018, amortization and depletion includes amounts of \$794 (2017 - \$1,367) which were included in in process inventory.

### 6. SHARE CAPITAL

(a) Authorized

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

(b) Issued

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

	Shares	Value
Balance October 1, 2017	171,376,481	\$ 141,904
No transactions	-	-
<b>Balance December 31, 2017</b>	<b><u>171,376,481</u></b>	<b><u>\$ 141,904</u></b>
Balance October 1, 2018	171,776,481	\$ 142,465
No transactions	-	-



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended December 31, 2018

(Unaudited - in thousands of United States dollars unless otherwise stated)

<b>Balance December 31, 2018</b>	<b>171,776,481</b>	<b>\$ 142,465</b>
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The weighted average number of common shares outstanding for the three months ending December 31, 2018 was 171,776,481 (2017 – 171,376,481).

### (c) Incentive stock options

The Corporation has a rolling 10% incentive stock option plan (the “Plan”) under which options to purchase common shares of the Corporation may be granted to directors, officers, employees and consultants of the Corporation. The number of common shares subject to options granted under the Plan is limited to 10% of the issued and outstanding common shares of the Corporation and no one person may receive in excess of 5% of the outstanding common shares of the Corporation at the time of grant (on a non-diluted basis).

Under the Plan, the terms and conditions of each grant of options are determined by the Board of Directors. Options are granted at a price no lower than the market price of the common shares as defined in the Plan which is the five day weighted average of the Corporation’s common shares prior to the date of grant rounded up to the nearest cent. Options granted under the Plan typically vest over a three year period, although the vesting period is at the Board of Directors’ discretion.

The changes in incentive stock options during the three months ended December 31, 2018 and 2017 were as follows:

	<b>December 31, 2018</b>		<b>December 31, 2017</b>	
	Number of incentive options	Weighted average exercise price	Number of incentive options	Weighted average exercise price
Opening balance	4,365,000	CAD \$ 0.96	3,965,000	CAD \$ 1.15
Granted	3,050,000	0.22	-	-
Expired	(400,000)	1.00	(350,000)	1.40
Closing balance	<u>7,015,000</u>	<u>CAD \$ 0.64</u>	<u>3,615,000</u>	<u>CAD \$ 1.13</u>
Exercisable	<u>2,380,000</u>	<u>CAD \$ 1.22</u>	<u>2,216,667</u>	<u>CAD \$ 1.25</u>

The following table summarizes information concerning outstanding and exercisable incentive stock options at December 31, 2018:

	<b>Outstanding</b>		<b>Exercisable</b>	
<u>Expiry date</u>	Number of options	Exercise price (CAD \$)	Number of options	Exercise price (CAD \$)
February 12, 2019	100,000	1.50	100,000	1.50
March 17, 2019	325,000	1.60	325,000	1.60
July 9, 2019	50,000	1.60	50,000	1.60
December 23, 2020	1,625,000	1.20	1,625,000	1.20
March 27, 2022	840,000	0.75	280,000	0.75
March 27, 2023	1,025,000	0.45	-	-
December 28, 2023	3,050,000	0.22	-	-
	<u>7,015,000</u>	<u>CAD \$ 0.64</u>	<u>2,380,000</u>	<u>CAD \$ 1.22</u>

The compensation cost for the incentive stock options granted during the three months ended December 31, 2018 (none granted in the three months ended December 31, 2017) was determined based on the fair value of the options at the date of grant using the Black-Scholes option pricing model with the following assumptions:



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Unaudited - in thousands of United States dollars unless otherwise stated)

Option grant date	<u>Dec. 28, 2018</u>
Options granted	3,050,000
Exercise price	CAD \$ 0.22
Risk-free rate	1.93%
Expected volatility of share price	55.98%
Expected dividend yield	0.00%
Expected life of each option	5 years
Weighted average grant date fair value	CAD \$ 0.10

The expected volatility was determined based on the historical share price volatility from the date of the grant over a period of time equal to the expected life of the option. The expected forfeiture rate was nil.

### (d) Deferred share units

The Corporation has a deferred share unit (“DSU”) plan as an alternative form of compensation for employees, officers, and directors of the Corporation. Each DSU entitles the participant to receive one common share of the Corporation issued from treasury upon redemption. DSUs vest over a three year period from grant date. The maximum number of common shares that are issuable under the DSU plan is 5,000,000. Following is a summary of the DSUs outstanding at December 31, 2018:

<u>Grant date</u>	<u>Number of DSUs</u>	<u>Market price at grant date</u>	<u>Compensation cost over 3 year vesting term</u>	<u>Unrecognized portion of compensation cost December 31, 2018</u>
March 27, 2018	475,000	CAD \$ 0.425	\$ 157	\$ 79
December 28, 2018	<u>1,550,000</u>	<u>0.215</u>	<u>244</u>	<u>243</u>
	<u>2,025,000</u>	<u>CAD \$ 0.264</u>	<u>\$ 401</u>	<u>\$ 322</u>

The Corporation has recorded total share based compensation during the three months ended December 31, 2018 of \$78 (2017 - \$75).

### (e) Earnings (loss) per share

Basic earnings (loss) per share is calculated based on the weighted average number of shares outstanding during the period. Diluted earnings per share is based on the assumption that stock options and warrants have been exercised on the later of the beginning of the period and the date granted. As of December 31, 2018, 3,965,000 options (2017 – 3,615,000) and nil warrants (2017 – 4,480,539) were excluded from the computation of diluted loss per share because their effect would have been anti-dilutive. The fully diluted weighted average number of shares outstanding during the three months ended December 31, 2018 was 171,875,938 (2017 – 171,376,481).

## 7. DISCONTINUED OPERATIONS

On September 5, 2017, the Corporation entered into an agreement with Agnico Eagle Mines Limited (“Agnico”) to sell the Santa Gertrudis project. The operational results from Santa Gertrudis were classified as discontinued operations for the three months ended December 31, 2017. On November 2, 2017, the Corporation completed the sale of the Santa Gertrudis property through the sale of 100% of the outstanding common shares of Animas Resources Ltd. (“Animas”). The transaction proceeds were cash of \$80,000, less a working capital adjustment of \$380 and transaction costs of \$2,850 for net cash proceeds of \$76,770, plus a retained 2% net smelter royalty, which was later sold as per Note 3.



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Following are the results of discontinued operations. There were no discontinued operations in the three months ended December 31, 2018.

	<b>Three months ended December 31, 2017</b>
Cash proceeds on sale of Santa Gertrudis	\$ 80,000
Net working capital adjustment	(380)
Assets held for sale	(25,282)
Liabilities held for sale	822
Gain on disposition	55,160
Transaction costs	(2,357)
Gain on disposition, net of transaction costs	52,803
Foreign exchange loss on net assets held for sale	-
Current income tax expense	(1,023)
Deferred income tax expense	(7,088)
Reclassification of foreign exchange loss on translation from other comprehensive income	(14,535)
Net income from discontinued operations	<b>\$ 30,157</b>

Reclassification of foreign exchange loss on translation from other comprehensive income includes \$6,017 associated with the Santa Gertrudis disposal, and \$8,518 associated with the disposal of the San Diego operation. In 2015, the Corporation recorded an impairment charge in connection with decisions to cease exploration activities at the San Diego operation. Since that time, no significant exploration has been done and claims have been allowed to lapse. During the three months ended December 31, 2017 the final claims were abandoned resulting in a conclusion that the project had been disposed of. Consequently, \$8,518 of accumulated foreign exchange translation losses recorded in accumulated other comprehensive income have been recorded as a component of income for discontinued operations in the three months ending December 31, 2017.

The condensed consolidated statement of cash flows for the three months ended December 31, 2017 includes \$76,770 of cash flow from investing activities attributed to discontinued operations. The amounts of cost of sales and income from continuing and discontinued operations reported in the quarter ending December 31, 2017 have been revised from the amounts previously reported to reclassify \$1,541 of expenses related to the discontinued operations that had been originally reported as part of comprehensive loss.

### 8. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash operating working capital:

	<b>Three months ended December 31, 2018</b>	<b>Three months ended December 31, 2017</b>
Trade receivables	\$ (335)	\$ 379
Input tax recoverable	352	(2,674)
Prepaid expenses	(59)	14
Inventory	(2,850)	(1,093)
Trade and other payables	23	(9,302)
Income taxes payable	-	1,006
	<b>\$ (2,869)</b>	<b>\$ (11,670)</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended December 31, 2018

(Unaudited - in thousands of United States dollars unless otherwise stated)

### 9. SEGMENTED INFORMATION

The Corporation's reportable segments are consistent with the Corporation's geographic regions in which the Corporation operates. In determining the Corporation's segment structure, the Corporation considered the basis on which management reviews the financial and operational performance and whether any of the Corporation's mining operations share similar economic, operational and regulatory characteristics. The Corporation aggregates San Diego and the Parral projects as the Mexico segment and the Corporation's corporate offices as the Canadian segment. Discontinued operations include the Santa Gertrudis project and are shown as a separate segment.

The following table presents information about reportable segments:

	Mexico	Canada	Continuing Operations	Discontinued Operations	Total
For the three months ended December 31, 2018:					
Amortization and depletion	\$ 963	\$ -	\$ 963	\$ -	\$ 963
Segment net (loss) income	(3,731)	11,884	8,153	-	8,153
Expenditures on non-current assets	77	-	77	-	77
For the three months ended December 31, 2017:					
Amortization and depletion	\$ 1,782	\$ -	\$ 1,782	\$ -	\$ 1,782
Segment net (loss) income	324	(1,987)	(1,663)	30,157	28,494
Expenditures on non-current assets	1,730	-	1,730	-	1,730
Reportable segment assets (December 31, 2018)	\$ 55,119	\$ 16,640	\$ 71,759	\$ -	\$ 71,759
Reportable segment liabilities (December 31, 2018)	4,755	555	5,310	-	5,310
Reportable segment assets (September 30, 2018)	\$ 57,073	\$ 7,483	\$ 64,556	\$ -	\$ 64,556
Reportable segment liabilities (September 30, 2018)	5,245	377	5,622	-	5,622

### 10. FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments:

The following table provides the disclosures of the fair value and the level in the hierarchy for financial instruments valued at fair value through profit or loss on a recurring basis.

	December 31, 2018		September 30, 2018	
	Level 1	Level 2	Level 1	Level 2
Marketable securities	\$ 6,234	-	-	-
Derivative liabilities	-	\$ 428	-	\$ 352

For derivative contracts, the Corporation performs valuations internally and 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.

(b) Capital management:

The Corporation's objective when managing capital is to maintain adequate levels of funding to support the acquisition, exploration and operation of resource properties and maintain the necessary corporate and administrative functions to facilitate



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these activities. These activities are primarily funded through operations, equity financing and debt. Future financings are dependent on market conditions and there can be no assurance the Corporation will be able to raise funds in the future. The Corporation invests all capital that is surplus to its immediate operational needs in high interest savings accounts.

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

	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Shareholders' equity	\$ 66,449	\$ 58,934
Less: cash	(10,880)	(8,276)
	<u>\$ 55,569</u>	<u>\$ 50,658</u>

(c) Financial risks:

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

*Commodity price risk*

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

*Credit Risk*

The Corporation's credit risk is primarily attributable to cash, input tax recoverable and trade receivables. Input tax recoverable consists of harmonized sales tax due from the Federal Government of Canada of \$95 and value added tax from the Federal Government of Mexico of \$8,345. Exposure on trade receivables is limited as all receivables are with customers who the Corporation has strong working relationships with, and are reputable large companies with a history of timely payment. Management believes the risk of loss with respect to financial instruments consisting of cash, input tax recoverable and trade receivables to be low.

*Equity Price Risk*

The Corporation is exposed to equity price risk through its marketable securities. A 10% change in the market value of its marketable securities would change net income by approximately \$623.

*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 income. At December 31, 2018, GoGold Resources Inc. had net monetary assets in US dollars of \$10,084 (September 30, 2018 – \$7,047), for which a 10% change in US exchange rates would change net income by approximately \$1,010. At December 31, 2018, the Corporation had net monetary assets in Mexican Pesos of approximately \$5,286 (September 30, 2018 – \$6,255), for which a 10% change in Mexican Peso exchange rates would change net income by approximately \$529.

*Interest Rate Risk*

The Corporation has cash balances and current policy is to invest excess cash in Canadian bank high interest savings accounts. The Corporation has no interest bearing liabilities.

*Liquidity Risk*

The Corporation's general objective when managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2018, the Corporation had cash balances of \$10,880 for settling current liabilities of \$3,644, liquidity is expected to be sufficient to fund the operations of the Corporation for the next twelve months.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(d) Derivatives:

The Corporation, through its subsidiary Coanzamex, has an agreement with the Municipality of Parral, Mexico (“Town”) to mine and process tailings material for precious metal recovery. The Corporation makes payments of \$48 per month to the Town which increases based on the market average silver price, with payments continuing until tailings are completely mined. 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 obligation 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 December 31, 2018 of \$15.47 (September 30, 2018 - \$14.31), as well as the historical volatility of silver market prices. The fair value of the liability under this method at December 31, 2018 was \$428 (September 30, 2018 - \$352).



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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### **11. COMMITMENTS**

The Corporation has annual commitments of \$1,006 for the next five years related to the Parral project, which includes minimum royalty payments and land lease payments, and annual commitments of \$39 until 2022 related to the Corporate office.