



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the year ended September 30, 2018**

## TABLE OF CONTENTS

---

<b>TABLE OF CONTENTS</b>	<b>2</b>
<b>OVERVIEW</b>	<b>3</b>
<b>STRATEGIC UPDATE</b>	<b>3</b>
<b>OPERATIONAL UPDATE</b>	<b>3</b>
<b>SELECTED ANNUAL INFORMATION</b>	<b>7</b>
<b>SUMMARY OF QUARTERLY RESULTS</b>	<b>8</b>
<b>LIQUIDITY AND CAPITAL RESOURCES</b>	<b>9</b>
<b>CONTRACTUAL OBLIGATIONS</b>	<b>9</b>
<b>OUTSTANDING SHARE DATA</b>	<b>9</b>
<b>OFF-BALANCE SHEET ARRANGEMENTS</b>	<b>9</b>
<b>CRITICAL ACCOUNTING ESTIMATES AND CHANGE IN ACCOUNTING POLICIES</b>	<b>10</b>
<b>FINANCIAL INSTRUMENTS AND OTHER RISKS</b>	<b>13</b>
<b>NON-IFRS MEASURES</b>	<b>14</b>
<b>INTERNAL CONTROLS OVER FINANCIAL REPORTING</b>	<b>16</b>
<b>FUTURE OUTLOOK</b>	<b>16</b>
<b>FORWARD-LOOKING STATEMENTS</b>	<b>16</b>
<b>TECHNICAL INFORMATION</b>	<b>17</b>
<b>OTHER INFORMATION</b>	<b>17</b>

*This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations is prepared as at December 20, 2018 and should be read in conjunction with the consolidated financial statements for the year ended September 30, 2018 and the notes thereto for GoGold Resources Inc. (the "Corporation").*

*The Corporation's consolidated financial statements for the year ended September 30, 2018 have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in thousands of United States dollars ("USD"), with the exception of per ounce costs which are quoted in United States dollars. Additional information relevant to the Corporation's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).*

*This MD&A contains certain Forward-Looking Statements as disclosed on page 16 of this document, and Non-IFRS measures including cash cost per silver ounce, cash cost per silver equivalent ounce, and all in sustaining cost ("AISC") which are reconciled to IFRS on page 15 of this document.*

---

## **OVERVIEW**

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

The Corporation operates the Parral Tailings Project ("Parral") located in the state of Chihuahua, Mexico, and sold the Santa Gertrudis project "Santa Gertrudis", located in the state of Sonora, Mexico, on November 2, 2017 for a pre-tax gain of \$53 million.

## **STRATEGIC UPDATE**

The Corporation sold Santa Gertrudis on November 2, 2017 to Agnico Eagle Mines Limited ("Agnico") for cash consideration, net of transaction costs, of \$76,770 which resulted in a pre-tax gain, after deducting the \$24,460 net carrying value of the assets, of \$52,803 on the project which was initially acquired in 2014. The Corporation retained a 2% net smelter royalty on the Santa Gertrudis property, for which no value was ascribed in the transaction. The proceeds of the sale were used to repay in full the \$46,500 senior revolving credit facility and the \$7,500 term loan, and interest of \$196. The completion of the transaction resulted in the Corporation having a debt free balance sheet positioning the Corporation well as the Parral Tailings project ramps up to its full production potential. The Corporation is actively pursuing other opportunities in Mexico.

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 \$300, resulted in net proceeds and an equivalent pre-tax gain of \$11,700. The Metalla shares represent 9.9% of Metalla shares outstanding and are subject to a 4 month hold period.

## **OPERATIONAL UPDATE**

In the quarter ending September 30, 2018 ("Q4 2018"), the Corporation stacked 370,558 tonnes on the leach pad, of which 99,751 were rehandled tonnes, and 270,837 were fresh tailings. This compares to 279,717 total tonnes stacked in the quarter ending September 30, 2017 ("Q4 2017"), of which 157,000 were rehandled.

The increase in overall stacking rates is attributed to the application of a more mobile stacker which was purchased in 2018, and wasn't available for use in 2017. Typically, the rainy season in the September quarter results in lower stacking rates as compared to other quarters through the year, however the mobility of the new stacker aided in mitigating the effects of rain on stacking.

Annually, 1,619,061 tonnes were stacked in 2018, a daily average of 4,436, which is an increase of 39% from the 1,166,789 tonnes stacked, or 3,197 per day in 2017. In 2017, there were a number of changes to the methodology of stacking, mainly focusing more on a higher quality agglomerate, where in prior years the focus had been on quantity of material. In 2018, experience and methods in stacking the high-quality agglomerate improved, allowing increased quantity. Also, the acquisition of a higher mobility stacker in 2018 aided in stacking at a higher rate.

Recoverable silver equivalent ounces stacked in Q4 2018 were 323,000, double the 162,000 stacked in Q4 2017. The increase is attributed to the increase in tailings tonnes stacked. On an annual basis, recoverable silver ounces were lower in 2018 than 2017 due to the rehandling of previously stacked tailings which were a lower quality agglomerate.

The material that was rehandled in Q4 2018 was originally stacked as a second lift on the leach pad without compaction of the first lift. As mentioned in prior quarters and press releases, stacking on the second lift without compaction was a test completed by the operation to determine if the recovery of metal would be affected. The results of the test concluded that compaction of the first lift would be required as without compaction, there is a delay in the recovery of metal from the material stacked above on the second lift. Management determined the most effective process in recovering the ounces contained would be to restack the material on an area of the pad which had been compacted.

Due to compaction of some material stacked on the leach pad in association with reprocessing and stacking on a second level on the leach pad, 649,095 silver and 4,377 gold ounces contained in process inventory were deemed to no longer be recoverable as they would no longer be leachable. This resulted in a write down of in process inventory of \$13,893 in the quarter ended September 30, 2018, of which \$3,692 related to amortization and depletion. This write down is associated with specific areas of the leach pad stacked in 2016 and 2017 where agglomeration was poor. The remaining material stacked at the end of 2018 continues to recover in accordance with current expectations.

Production in Q4 2018 was 240,939 silver equivalent ounces, compared to 323,726 in Q4 2017. The decrease in production is attributed to the second lift testing completed in the spring and summer of 2018, which resulted in less ounces under irrigation in Q4 2018. With the testing completed and more material coming under irrigation, recovery levels and timing have returned to levels experienced historically. As a result, production in October and November 2018 has increased, with production levels approaching those realized in Q4 2017.

## Parral

Following are key performance indicators of Parral's operations:

Key performance indicator:	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2017	2018
Tailing tonnes placed on leach pad	122,717	-	193,516	284,038	270,837	1,009,789	748,391
Tailings rehandled	157,000	361,934	245,860	162,975	99,751	157,000	870,520
Total tonnes placed and rehandled	279,717	361,934	439,376	447,193	370,558	1,166,789	1,619,061
Recoverable silver equivalent ounces stacked <sup>1,2</sup>	162,000	-	226,000	320,000	323,000	1,216,000	869,000
Gold production (oz) <sup>3</sup>	2,021	1,708	1,908	1,630	1,665	7,961	6,655
Silver production (oz) <sup>3</sup>	149,025	261,693	265,629	163,991	105,623	545,465	774,590
Silver equivalent production (oz) <sup>1,3</sup>	324,726	392,406	417,191	292,273	240,939	1,146,573	1,300,046
Cash cost (per silver equivalent oz) <sup>4</sup>	\$38.88	\$11.69	\$10.67	\$16.61	\$39.98	\$16.80	\$18.00
Adjusted cash cost (per silver equivalent oz) <sup>4,5</sup>	\$10.18	\$11.18	\$10.67	\$10.30	\$7.92	\$9.39	\$10.20
Cash cost (per silver oz) <sup>4</sup>	\$58.52	\$8.73	\$7.47	\$16.69	\$68.21	\$17.02	\$19.49
Adjusted cash cost (per silver oz) <sup>4,5</sup>	\$4.03	\$7.90	\$7.47	\$6.09	\$1.07	\$1.80	\$6.24
AISC per silver equivalent ounce <sup>6</sup>	\$55.48	\$15.25	\$15.97	\$20.40	\$44.55	\$25.72	\$22.25
Adjusted AISC per silver equivalent ounce <sup>5,6</sup>	\$26.79	\$14.74	\$15.97	\$14.09	\$12.50	\$18.31	\$14.46

1. "Silver equivalent production" include gold ounces produced and sold converted to a silver equivalent based on a ratio of the average market metal price for each period. The ratio for each of the periods presented was: Q4 2017 – 76, Q1 2018 – 76, Q2 2018 – 79, Q3 2018 – 79, Q4 2018 – 81.
2. Excluding ounces included in rehandled tailings.
3. Q3 2017 and Q4 2017 production figures were adjusted based on final assays obtained in Q1 2018.
4. Non-IFRS measure, reconciliation on page 16.
5. For comparability purposes, adjusted costs are calculated excluding net realizable value of inventory adjustments to cash production costs, as they are out of period costs. See Page 16.
6. All in sustaining costs ("AISC") are calculated excluding the discontinued Santa Gertrudis HGM to better reflect AISC associated with continuing operations. AISC including discontinued operations was \$51.62 in Q4 2017 and \$21.57 for the 2017 year.

In Q4 2018, cash costs included a negative net realizable value inventory adjustment of \$7,750, compared to \$7,652 in Q4 2017. The adjustments were attributed to a number of factors, including a decrease to consensus future metal prices during the quarter. The Corporation's methodology in determining the recoverable value of the inventory includes reliance on consensus third party forecasting of gold and silver pricing to predict the future saleable value of the metal in inventory. Other factors driving the impairment were an increase in costs in the quarter associated with the second lift irrigation testing, as well as an allowance for future costs associated with rehandling material. On an annual basis, the adjustments were \$7,652 in 2017 and \$10,349 in 2018. The assessment 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 adjustment of \$1,450.

Adjusted cash costs per silver equivalent ounce exclude the inventory adjustment, and were \$7.92 in Q4 2018 compared to \$10.18 in Q4 2017. The decrease in cost is attributed to an increased net realizable value adjustment due to an allowance for future reprocessing costs. Annually, adjusted cash costs increased due to additional cyanide costs. Cyanide was required to be added to the heap throughout 2018 to aide in speeding the time of recovery and production of silver and gold.

Adjusted all in sustaining costs have decreased from \$26.79 in Q4 2017 to \$12.50 in Q4 2018, predominantly due to a decrease in sustaining capital on the project – which included \$2,910 in Q4 2017 compared to \$104 in Q4 2018. The capital in 2017 was attributed mainly to the completion of the expansion of emergency ponds as well as some pad expansion and there were no associated costs in Q4 2018. Similarly, on an annual basis, adjusted AISC decreased from \$18.31 in 2017 to \$14.46 in 2018 due to a decrease in sustaining capital from \$5,508 to \$1,385. Sustaining capital in 2018 was predominantly the completion of the emergency pond expansion project which began in 2017, while 2017 included the emergency pond as well as heap leach pad expansion.

### **Impairment**

In accordance with the Corporation's accounting policy, non-current assets are reviewed at each reporting date to determine whether there are any indicators of impairment. An impairment loss is recognized when the carrying amount exceeds the recoverable amount. Non-current assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed.

At September 30, 2018, the Corporation determined that negative cash flows and operational performance being less than original expectations from the Parral project constituted an indicator of potential impairment. Therefore, the Corporation completed an impairment assessment for the Parral project whereby the net book value of was compared to its recoverable amount. The recoverable amount was determined as the fair value less costs of disposal, which was determined using a discounted future cash flow valuation model. For the year ended September 30, 2018, the Corporation recognized a non-cash impairment loss of \$48,157 on non-current assets as a result of the analysis.

The discounted future cash flow valuation model used in impairment testing is significantly affected by changes in assumptions for metal prices, production costs estimates, future capital expenditures, changes in the amount of recoverable reserves, resources, discount rates, inflation and exchange rates. The determination of fair value includes the following key applicable assumptions:

- Silver price per ounce of \$17.50 in 2019 and \$18.00 in 2020 and beyond
- Gold price per ounce of \$1,300 in 2019 and beyond
- Operating and capital costs based on historical costs incurred and estimated forecasts
- Stacking rates and recoveries based on historical rates and estimated forecasts
- After-tax discount rate of 7%

The Corporation performed a sensitivity analysis on the fair value. A 5% change in silver and gold price assumptions or the recovery rate would change the recoverable amount by \$13,584. A 5% change in operating costs would result in a change of \$8,760.

**SELECTED ANNUAL INFORMATION**

<b>Fiscal Periods ended September 30</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Revenues	\$ 21,016	\$ 17,045	\$ 16,267
Cost of sales	45,294	23,179	10,582
General and administrative expenses	4,134	3,609	4,654
Operating (loss) income	(28,412)	(9,743)	1,031
Net loss from continuing operations	(73,245)	(1,402)	(20,437)
Net income (loss) from discontinued operations	29,552	818	(100)
Net loss	(43,693)	(584)	(20,537)
Basic and diluted net loss per share	(0.43)	(0.00)	(0.13)
Total assets	64,556	160,210	140,651
Current portion, long term liabilities	-	46,309	35,077
Total long-term liabilities	-	3,271	3,850
Cash dividends per common share	-	-	-

The Corporation recorded record revenue of \$21,016 attributed to the sale of 781,672 silver and 6,933 gold ounces for 1,328,119 silver equivalent ounces, as compared to revenue of \$17,045 in the year 2017 attributed to the sale of 502,804 silver ounces and 7,313 gold ounces for silver equivalent ounces of 1,032,710. The increase in number of ounces sold is comparable to the increase in production. The Corporation realized an average price of \$15.79 per silver ounce sold in 2018 as compared to \$16.40 in the prior year, and an average price of \$1,251 per gold ounce sold in 2018 as compared to \$1,203 in the prior year. In 2018, the average market price for silver was \$16.25 per ounce, and gold was \$1,281 per ounce. The Corporation sold silver at a discount of 2.9% compared to market price, and gold at a discount of 2.4%, for a silver equivalent discount of 2.7%, which is attributed to the Corporation's offtake agreement.

Cost of sales from continuing operations of \$45,294 were recorded in 2018, as compared to \$23,179 in 2017. Cash costs included in cost of sales were \$13,553 in 2018, compared to \$9,701 in 2017, which is attributed to the increase in ounces sold as well as the increased cost per ounce explained previously. Amortization and depletion costs were \$5,122 in 2018, compared to \$4,058, which is attributed to the increase in ounces sold as well as an increase in the per ounce cost, as in prior years stacking at a higher level resulted in more ounces being placed on leach pads, and a lower cost per ounce amortization figure. Inventory adjustments of \$12,726 in 2018 compared to \$9,420 in 2017 are included in cost of sales. These adjustments are attributed to the carrying value of the inventory plus the future costs to bring the inventory to a saleable state being greater than the net realizable value of the inventory based on an estimate of future metal prices. Also included in cost of sales is the inventory writedown of \$13,893.

General and administrative expenses increased by \$525 from \$3,609 in 2017 to \$4,134 in 2018. In 2017, there was a reversal of bonus accruals which had been previously recorded in 2016 but not paid. When they were not paid in 2017, it resulted in a decrease in general and administrative expense in 2017 of approximately \$720. Compensation expense of \$2,285 is included in general and administrative expense for 2018, of which \$1,698 relates to directors and officers of the Corporation.

Net income from discontinued operations was \$29,552 in 2018. The sale of Santa Gertrudis generated a gain on disposition of \$55,160, less transaction costs of \$2,357, and tax expense of \$8,716. Also included in discontinued operations is a reclassification of \$14,535 of foreign exchange losses from other comprehensive loss consisting of losses associated with the Santa Gertrudis operation (\$6,017), and losses on the San Diego operation (\$8,518) for which the final claims were not renewed. The majority of the losses were the result of foreign exchange translation losses previously recorded in other comprehensive loss which were associated mainly with net assets of the Santa Gertrudis and San Diego operations whose functional currency was Mexican pesos. As the peso had decreased in value compared to the USD, this had generated losses

recorded through other comprehensive loss in prior years. As both operations are discontinued, these losses were recycled through net income. Net income from discontinued operations in 2017 was associated with the operation of the Santa Gertrudis project.

Net loss in 2018 was \$43,693, compared to \$584 in 2017. The loss in 2018 consists mainly of the income from discontinued operations which includes the sale of Santa Gertrudis, the impairment of \$48,157, and the operating loss of \$28,412. The significant contributors to loss in 2017 included the operating loss of \$9,743, finance costs of \$2,084, a non-cash gain on foreign exchange of \$2,717, and tax recoveries of \$7,659.

Total assets in 2017 were \$160,210 which decreased to \$64,556 at September 30, 2018. The sale of Santa Gertrudis resulted in the disposal in 2018 of \$24,092 of assets held for sale at 2017. The impairment to property, plant, and equipment resulted in a decrease in the carrying value of those assets of \$48,157. Inventory carrying value decreased by \$16,229 from 2017 to 2018, which is predominantly attributed to the \$13,893 write down for ounces which are no longer recoverable due to compaction. Additionally, there was a tax asset for of \$7,363 in 2017 which was utilized on the sale of Santa Gertrudis. Debt was reduced to nil in 2018 through the use of the proceeds of the sale of Santa Gertrudis.

## SUMMARY OF QUARTERLY RESULTS

Quarter ending	Revenue	Cost of Sales	General and Admin.	Net Income (Loss) from Continuing Operations	Net Income (Loss) from Discontinued Operations	Net Income (Loss)	Shareholder's Equity	Net Income (Loss) per Share
Sept 30, 2018	\$ 3,492	\$ 25,610	\$ 971	\$ (67,915)	\$ (605)	\$ (68,520)	\$ 58,934	\$ (0.39)
June 30, 2018	6,289	8,588	1,032	(3,626)	-	(3,626)	127,240	(0.02)
Mar 31, 2018	5,403	5,030	1,090	(41)	-	(41)	130,458	(0.00)
Dec 31, 2017 <sup>1</sup>	5,832	6,066	1,041	(1,663)	30,157	28,494	130,808	0.15
Sep 30, 2017	4,444	13,183	1,488	(1,361)	(140)	(1,501)	87,826	(0.01)
Jun 30, 2017	4,651	3,924	902	985	(1,340)	(355)	90,152	(0.00)
Mar 31, 2017	4,276	3,254	263	(94)	704	610	90,694	0.00
Dec 31, 2016	3,674	2,818	956	(932)	1,594	662	88,525	0.00

<sup>1</sup>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.

In Q4 2018, the Corporation recorded revenue of \$3,492 on 241,774 silver equivalent ounces sold at an average realized price of \$14.44, compared to sales of \$4,444 on 262,095 ounces at a price of \$16.96 in Q4 2017. The market price of silver took a significant downturn in Q4 2018, which impacted sales negatively, as the market price for silver was \$14.99 in Q4 2018, compared to \$16.53 in Q3 2018 and \$16.83 in Q4 2017. The number of ounces sold decreased by 20,321, while production decreased by 83,787 silver equivalent ounces, with the difference attributed to a change in finished goods inventory.

Cost of sales in Q4 2018 were \$25,610, compared to \$13,183 in Q4 2017. Both quarters included inventory net realizable value adjustments – \$12,726 in Q4 2017 and \$4,961 in Q4 2018, while Q4 2018 also includes an inventory writedown of \$13,893, which makes up the majority of the variance. General and administrative expense decreased from \$1,488 in Q4 2017 to \$971, which is attributed to a decrease in professional fees as there were \$533 in fees associated with the sale of Santa Gertrudis recorded in 2017.

In the quarter ending September 30, 2018, an assessment of the carrying value of the assets of Parral was completed, resulting in an impairment of \$48,157, which, combined with the operating losses outlined above, contributed to the net loss of \$67,915. The net loss in Q4 2017 of \$1,501 included tax recoveries of \$8,103, including \$2,429 of current tax recoveries and \$5,674 of deferred tax recoveries. Other components of net

loss include an operating loss of \$10,227 which is largely a result of the \$9,420 net realizable value adjustment charge, as well as the transaction fees of \$533 related to the Santa Gertrudis sale.

Shareholders' equity was \$58,934 at September 30, 2018 compared to \$87,826 at September 30, 2017, as comprehensive loss for the year was \$29,688, offset by warrant exercises of \$523 and contributed surplus related to stock based compensation of \$273.

## LIQUIDITY AND CAPITAL RESOURCES

The Corporation's objective when managing capital is to maintain adequate levels of funding to support the acquisition, exploration and development of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing, debt, and funds from operations. Future financings are dependent on market conditions and there can be no assurance the Corporation will be able to raise funds in the future. The Corporation invests all capital that is surplus to its immediate operational needs in high interest savings accounts.

### Working Capital

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

	Sept 30, 2018	Sept 30, 2017
Current assets	\$ 18,721	\$ 58,753
Current liabilities	(3,818)	(69,113)
Working capital (deficiency)	\$ 14,903	\$ (10,360)

With the sale proceeds from the disposition of Santa Gertrudis, net of cash used in operations, the Corporation had working capital of \$14,903 at September 30, 2018. This is an increase from the working capital deficiency of \$10,360 at September 30, 2017. The working capital of \$14,903 at September 30, 2018 is expected to be sufficient to fund the operations of the Corporation for the upcoming twelve months.

## CONTRACTUAL OBLIGATIONS

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.

## OUTSTANDING SHARE DATA

As at September 30, 2018, the Corporation had a total of 171,776,481 common shares with a carrying amount of \$142,465, 4,365,000 stock options, and 475,000 deferred share units issued and outstanding. Comparative figures for September 30, 2017 were 171,376,481 common shares with a carrying amount of \$141,904, 3,965,000 stock options, and 4,480,539 warrants issued and outstanding.

As of the date of this document, the Corporation has 171,776,481 common shares, 3,965,000 stock options, and 475,000 deferred share units issued and outstanding.

## OFF-BALANCE SHEET ARRANGEMENTS

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

## CRITICAL ACCOUNTING ESTIMATES AND CHANGE IN ACCOUNTING POLICIES

### Accounting Estimates

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

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

#### *Asset acquisitions:*

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

#### *Commercial production:*

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

#### *Estimate of recoverability for non-financial assets:*

Events or changes in circumstances may give rise to significant impairment charges or reversals of impairment in a particular year. In accordance with the Corporation's accounting policy, each non-financial asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment, which would include a significant decline in the asset's market value, decline in resources and/or reserves as a result of geological re-assessment or change in timing of extraction of resources and/or reserves which would result in a change in the discounted cash flow obtained from the site, and lower metal prices or higher input cost prices than would have been expected since the most recent valuation of the site.

If any such indication exists, a formal estimate of recoverable amount is determined and an impairment loss recognized to the extent that carrying amount exceeds recoverable amount. The recoverable amount of an asset or cash generating unit is measured at the higher of fair value less costs of disposal and value in use.

Value in use is generally determined as the present value of the estimated future cash flows, but only those expected to arise from the continued use of the asset in its present form and its eventual disposal. Present values are determined using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is determined based on the present value of estimated future cash flows from each long-lived asset or cash generating unit. The assumptions used in determining the fair value less costs of disposal are typically life of mine plans, long-term commodity prices, discount rates, foreign exchange rates, and net asset value multiples.

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

*Exploration and evaluation assets:*

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for mineral properties. The technical feasibility and commercial viability is based on management's evaluation of the geological properties of an ore body based on information obtained through evaluation activities, including metallurgical testing, resource and reserve estimates and economic assessment whether the ore body can be mined economically. Once technical feasibility and commercial viability of a mineral property can be demonstrated, exploration costs will be assessed for impairment and reclassified to property, plant and equipment and subject to different accounting treatment.

*Identification of functional currency:*

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

*Inventory – in process:*

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

*Inventory – valuation:*

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

*Provisions for site restoration:*

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

*Share-based payments:*

The Corporation issues equity-settled share-based payments to certain employees, directors, and third parties outside the Corporation. Equity-settled share-based payments issued to employees are measured at fair value (excluding the effect of nonmarket based vesting conditions) at the date of grant. Fair value is measured using the Black-Scholes pricing model and requires the exercise of judgment in relation to variables such as expected volatilities and dividend yields based on information available at the time the fair value is measured. Share-based payments issued to third parties are measured at the fair value of the goods or services received except when the fair value cannot be determined reliably, in which case, they are measured at the fair value of the equity instruments granted.

*Taxation:*

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

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

carrying amount of recognized deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of operations.

### **Change in Accounting Policies**

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

### **Recent Pronouncements**

A number of new standards, and amendments to standards and interpretations under IFRS, are not yet effective for the year ending September 30, 2018, and have not been applied in preparing these consolidated financial statements.

#### *Revenue from Contracts with Customers:*

In May 2014, and later amended in April 2016, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for fiscal years beginning on or after January 1, 2018 and is available for early adoption. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The Corporation intends to adopt IFRS 15 in its financial statements for the annual period beginning on October 1, 2018. The Corporation is in the process of completing their analysis on the impact of adoption of this standard on the financial statements.

#### *Financial instruments:*

In July 2014, the IASB issued IFRS 9, Financial Instruments, will replace IAS 39, Financial Instruments: Recognition and Measurement, and some of the requirements of IFRS 7, Financial Instruments: Disclosures. The objective of IFRS 9 is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. The IASB has determined the revised effective date for IFRS 9 will be for annual reporting periods beginning on or after January 1, 2018. The Corporation will evaluate the impact of the change to the consolidated financial statements based on the characteristics of financial instruments outstanding at the time of adoption.

#### *Leases:*

In January 2016, the IASB issued IFRS 16, Leases. This standard specifies the methodology to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This standard replaces IAS 17, Leases. The standard is effective for 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.

#### *Share based payments:*

The IASB issued amendments to IFRS 2, Share-based Payment. The new requirements could affect the classification and/or measurement of cash settled share-based payments, classification of share-based payments settled net of tax advantage, and share-based payment from cash-settled to equity settled – and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments

apply for annual reporting periods beginning on or after January 1, 2018. The adoption of this standard is not expected to have an impact on the Corporation's financial statements.

## FINANCIAL INSTRUMENTS AND OTHER RISKS

### Financial Instruments

The fair values of the Corporation's financial instruments are considered to approximate the carrying amounts. Levels 1 to 3 fair values are defined based on the degree to which fair value inputs are observable or unobservable, as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are based on inputs which have a significant effect on fair value that are observable, either directly or indirectly from market data; and
- Level 3 inputs are unobservable (supported by little or no market activity).

The following table provides the disclosures of the fair value and the level in the hierarchy for financial instruments recorded at fair value:

<i>(in thousands USD)</i>	September 30, 2018		September 30, 2017	
	Level 1	Level 2	Level 1	Level 2
Cash	\$ 8,276	-	\$ 4,606	-
Financial liabilities at fair value through profit and loss:				
Derivative liabilities	-	\$ 352	-	\$ 464

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

### Risk

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

Additional detail on risks and uncertainties is discussed in the Corporation's Annual Information Form dated December 20, 2018, a copy of which may be obtained on the SEDAR website at [www.sedar.com](http://www.sedar.com), as well as other continuous disclosure materials filed from time to time with Canadian securities regulatory authorities.

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

#### *Commodity price risk:*

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

economic factors are in turn influenced by changes in international investment patterns and monetary systems, and political developments.

*Credit Risk:*

The Corporation's credit risk is primarily attributable to cash, input tax recoverable and trade receivables. Input tax recoverable consists of harmonized sales tax due from the Federal Government of Canada of \$151 and value added tax from the Federal Government of Mexico of \$9,077. 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.

*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 September 30, 2018, GoGold Resources Inc. had net monetary assets in US dollars of \$7,047 (September 30, 2017 – liabilities of \$53,809), for which a 10% change in US exchange rates would change net income by approximately \$705. At September 30, 2018, the Corporation had net monetary assets in Mexican Pesos of approximately \$6,255 (September 30, 2017 – liabilities of \$1,080), for which a 10% change in Mexican Peso exchange rates would change net income by approximately \$625.

*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 September 30, 2018, the Corporation had cash balances of \$8,276 for settling current liabilities of \$3,818, liquidity is expected to be sufficient to fund the operations of the Corporation for the next twelve months.

## **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 September 30, 2018 of \$14.31 (September 30, 2017 - \$16.86), as well as the historical volatility of silver market prices. The fair value of the liability under this method at September 30, 2018 was \$352 (September 30, 2017 - \$464).

## **NON-IFRS MEASURES**

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

from operations. There may be some variation in the method of computation of these metrics as determined by the Corporation compared with other mining companies.

<b>Cash Cost Reconciliation</b>	<b>Q4 2017</b>	<b>Q1 2018</b>	<b>Q2 2018</b>	<b>Q3 2018</b>	<b>Q4 2018</b>	<b>2017</b>	<b>2018</b>
Production costs, except amortization and depletion	\$ 2,715	\$ 3,070	\$ 3,605	\$ 3,936	\$ 2,942	\$ 9,701	\$ 13,553
Net realizable value adjustment	9,420	1,544	-	3,201	7,981	9,420	12,726
Less: non-cash portion of NRV adjustment	(1,768)	(330)	-	(789)	(1,258)	(1,768)	(2,377)
Cash costs	10,367	4,284	3,605	6,348	9,665	17,353	23,902
Silver equivalent ounces sold	266,640	366,374	337,821	382,150	241,774	1,032,710	1,328,119
<b>Cash cost per silver equivalent ounce</b>	<b>\$38.88</b>	<b>\$11.69</b>	<b>\$10.67</b>	<b>\$16.61</b>	<b>\$39.98</b>	<b>\$16.80</b>	<b>\$18.00</b>
Net realizable value cash adjustment on inventory <sup>1</sup>	(7,652)	(187)	-	(2,412)	(7,750)	(7,652)	(10,349)
Adjusted cash cost	2,715	4,097	3,605	3,936	1,915	9,701	13,553
<b>Adjusted cash cost per silver equivalent ounce<sup>1</sup></b>	<b>\$10.18</b>	<b>\$11.18</b>	<b>\$10.67</b>	<b>\$10.30</b>	<b>\$7.92</b>	<b>\$9.39</b>	<b>\$10.20</b>
Cash costs, per above	10,367	4,284	3,605	6,348	9,665	17,353	23,902
Gold sales	(2,149)	(2,331)	(2,000)	(2,548)	(1,792)	(8,797)	(8,671)
Total cash costs, net of gold sales	8,218	1,953	1,605	3,800	7,873	8,556	15,231
Silver ounces sold	140,426	223,640	214,862	227,744	115,426	502,804	781,672
<b>Cash cost per silver ounce, net of gold credits</b>	<b>\$58.52</b>	<b>\$8.73</b>	<b>\$7.47</b>	<b>\$16.69</b>	<b>\$68.21</b>	<b>\$17.02</b>	<b>\$19.49</b>
Net realizable value cash adjustment on inventory <sup>1</sup>	(7,652)	(187)	-	(2,412)	(7,750)	(7,652)	(10,349)
Adjusted cash cost, net of gold sales	566	1,766	1,605	1,388	123	904	4,882
<b>Adjusted net cash cost per silver ounce<sup>1</sup></b>	<b>\$4.03</b>	<b>\$7.90</b>	<b>\$7.47</b>	<b>\$6.09</b>	<b>\$1.07</b>	<b>\$1.80</b>	<b>\$6.24</b>
Cash costs, per above	10,367	4,284	3,605	6,348	9,665	17,353	23,902
General and administrative costs	1,491	1,041	1,090	1,032	971	3,609	4,134
Sustaining capital expenditures	2,910	230	667	384	104	5,508	1,385
Accretion expense	26	31	32	32	32	91	127
All in sustaining costs	14,794	5,586	5,394	7,796	10,772	26,561	29,548
Silver equivalent ounces sold	266,640	366,374	337,821	382,150	241,774	1,032,710	1,328,119
<b>AISC per silver equivalent ounce<sup>2</sup></b>	<b>\$55.48</b>	<b>\$15.25</b>	<b>\$15.97</b>	<b>\$20.40</b>	<b>\$44.55</b>	<b>\$25.72</b>	<b>\$22.25</b>
Net realizable value cash adjustment on inventory <sup>1</sup>	(7,652)	(187)	-	(2,412)	(7,750)	(7,652)	(10,349)
Adjusted all in sustaining costs	7,142	5,399	5,394	5,384	3,022	18,909	19,199
<b>Adjusted AISC per silver equivalent ounce<sup>1,2</sup></b>	<b>\$26.79</b>	<b>\$14.74</b>	<b>\$15.97</b>	<b>\$14.09</b>	<b>\$12.50</b>	<b>\$18.31</b>	<b>\$14.46</b>

- Adjusted costs are calculated excluding net realizable value adjustments to inventory to provide a comparison to prior quarters for costs associated with the quarter, and exclude the adjustment which includes out of period costs.
- AISC is calculated excluding the discontinued Santa Gertrudis HGM to better reflect AISC associated with continuing operations. AISC including discontinued operations was \$51.62 in Q4 2017 and \$21.57 for the 2017 year.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Management is responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Corporation, including its consolidated subsidiaries, is made known to the Corporation's certifying officers. The Corporation's Chief Executive Officer and Chief Financial Officer have each evaluated the effectiveness of the Corporation's disclosure controls and procedures as at September 30, 2018, in compliance with NI 52-109, and have concluded that these controls and procedures are effective.

The Corporation's management, under the supervision of its Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Corporation's Chief Executive Officer and Chief Financial Officer have used the 2013 Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of the Corporation's internal control over financial reporting as at September 30, 2018, in compliance with NI 52-109, and have concluded that these controls and procedures are effective.

## **FUTURE OUTLOOK**

The Corporation intends to focus on increasing production at Parral and intends to continue investigating projects that meet its criteria of being advanced, capable of producing at a low all-in cost, and of being developed in a short time frame.

## **FORWARD-LOOKING STATEMENTS**

Certain information included in this discussion may constitute forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Examples of such statements include the intention to complete an acquisition or disposition or financing transaction, the Corporation's plans for its mineral projects, and reference to the Corporation's internal forecasts. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this document. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the ability of the Corporation to obtain necessary financing, satisfy conditions under any acquisition agreement, or satisfy the requirements of the Toronto Stock Exchange with respect to an acquisition; consumer interest in the Corporation's services and products; competition; and anticipated and unanticipated costs. The forward-looking statements contained in this document are made as of the date of this document and the Corporation does not undertake to update publicly or revise the forward-looking information contained in this document, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. These forward-looking statements should not be relied upon as representing the Corporation's views as of any date subsequent to the date of this document. Although the Corporation has attempted to identify factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause

actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements include exploration and development risks, the failure to establish estimated mineral resources or mineral reserves, volatility of commodity prices, variations of recovery rates and global economic conditions. The factors identified above are not intended to represent a complete list of the factors that could affect the Corporation. Additional factors are noted under "Risk Factors" in the Corporation's Annual Information Form for the year ended September 30, 2018, a copy of which may be obtained on the SEDAR website at [www.sedar.com](http://www.sedar.com), as well as other continuous disclosure materials filed from time to time with Canadian securities regulatory authorities.

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

#### **TECHNICAL INFORMATION**

Mr. Terence F. Coughlan, P.Geo, Chairman of the Board of Directors of the Corporation, who is a qualified person as defined by National Instrument 43-101, *Standard of Disclosure for Mineral Projects*, is responsible for, and has reviewed and approved, the scientific and technical information contained in this document.

#### **OTHER INFORMATION**

Additional information regarding the Corporation, including the Corporation's Annual Information Form dated December 20, 2018, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Dated: December 20, 2018