



## **Goldgroup Mining Inc.**

Consolidated Financial Statements

December 31, 2014 and 2013

(expressed in thousands of US dollars, except where indicated)

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Goldgroup Mining Inc.

We have audited the accompanying consolidated financial statements of Goldgroup Mining Inc., which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statement of loss and comprehensive loss, changes in shareholders' equity and deficit, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Goldgroup Mining Inc. as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Goldgroup Mining Inc.'s ability to continue as a going concern.

***Other Matters***

The audited consolidated financial statements as at December 31, 2013 and for the year then ended, were examined by other auditors who expressed an opinion without reservation on those statements in their report dated March 28, 2014. We have audited the adjustment as described in Note 2 to amend the 2013 statement of financial position and in our opinion, such adjustment, in all material respects, are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the financial statements of the Company as at December 31, 2013 and for the year then ended other than with respect to the adjustment and, accordingly, we do not express any opinion on any other form of assurance on the financial statements as at December 31, 2013 and for the year ended December 31, 2013 taken as a whole.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada

Chartered Accountants

March 30, 2015

# Goldgroup Mining Inc.

## Consolidated Statements of Financial Position

(expressed in thousands of US dollars, except where indicated)

	Note	December 31, 2014	December 31, 2013 (restated – note 2)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	\$ 12,859	\$ 963
Other receivables and prepaid expenses	6	625	6,303
Inventory	9	925	2,032
		14,409	9,298
Investments	8	15,841	170
Receivables	6	2,639	-
Property, plant and equipment	10	969	1,830
Enterprise Resource Software	11	185	398
Investment in associate	12	-	18,056
Exploration and evaluation properties	13	-	64,468
Development properties	14	15,601	12,055
Total assets		\$ 49,644	\$ 106,275
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	15	\$ 4,620	\$ 2,830
Tax payable	30(a)	1,866	108
Loan payable	16(ii)	-	4,192
Promissory note	17	1,503	-
		7,989	7,130
Loan payable	16(i)	4,444	-
Promissory note	17	-	1,399
Deferred income tax liabilities	25	607	8,236
Warrant liability	19	704	3
Decommissioning obligation	18	1,103	950
Total liabilities		14,847	17,718
<b>Shareholders' equity</b>			
Share capital	20	129,999	128,768
Contingent share consideration	20	5,572	5,572
Reserves	21	8,951	6,967
Deficit		(109,725)	(52,750)
Total shareholders' equity		34,797	88,557
Total liabilities and shareholders' equity		\$ 49,644	\$ 106,275

*Nature of operations and going concern (note 1)*

*Commitments (note 27)*

*Subsequent events (note 30)*

### Approved by the Board of Directors

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"Keith Piggott" Director

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"Corry Silbernel" Director

The accompany notes are an integral part of these consolidated financial statements

# Goldgroup Mining Inc.

## Consolidated Statements Loss and Comprehensive Loss

For the years ended December 31,

(expressed in thousands of US dollars, except where indicated)

	Note	2014	2013
<b>Revenue</b>			
Gold sales		\$ 5,114	\$ 25,250
Silver sales		86	329
		5,200	25,579
<b>Cost of operation</b>			
Cost of sales	23	(5,001)	(22,639)
Depreciation and depletion	10	(439)	(1,657)
		(240)	1,283
<b>Other (expense) income</b>			
Depreciation	10,11	(219)	(228)
Share-based compensation	21	(31)	(43)
General and administrative		(841)	(1,095)
Salary and consulting		(1,044)	(1,181)
Professional fees		(1,142)	(1,272)
Exploration expense		(51)	(557)
Gain (loss) on disposal of PPE		170	(41)
Impairment – mineral property	13	(42,656)	-
Finance income		49	27
Finance cost	24	(1,056)	(636)
Impairment – investment in associate	12	(18,178)	-
Gain (loss) from investment in associate	12	9	(2)
Impairment on investments	8	-	(700)
Unrealized derivative gain (loss) – warrant liability	8,19	631	(4)
Foreign exchange (loss) gain		(632)	389
Other income/(expense)		337	(135)
<b>Loss before income taxes</b>		(64,894)	(4,195)
Income taxes (expense) recovery – current	25	-	(907)
Income taxes (expense) recovery – deferred	25	7,919	(1,874)
<b>Net loss</b>		(56,975)	(6,976)
<b>Other comprehensive loss (income) (“OCI”)</b>			
Unrealized gain on available for sale investments, net of tax	8	1,953	-
<b>Net loss and comprehensive loss</b>		\$ (55,022)	\$ (6,976)
<b>Loss per share</b>			
Basic and diluted		\$ (0.39)	(0.05)
<b>Weighted average shares outstanding (000’s)</b>			
Basic and diluted		139,565	130,221
<b>Total shares issued and outstanding (000’s)</b>		145,095	136,437

The accompany notes are an integral part of these consolidated financial statements

**Goldgroup Mining Inc.**  
**Consolidated Statements of Changes in Shareholders' Equity and Deficit**

(expressed in thousands of US dollars, except where indicated)

	Notes	Shares (‘000)	Share capital	Share based compensation reserves	Contingent shares	Foreign currency translation reserves	Investment revaluation reserves	Deficit	Total equity
<b>Balance at December 31, 2012</b>		130,937	\$ 128,011	\$ 7,279	\$ 3,305	\$ (355)	\$ -	\$ (45,774)	\$ 92,466
Net loss for the year		-	-	-	-	-	-	(6,976)	(6,976)
Share issuance – Oroco Agreement (restated – note 2)	20(c)	5,500	757	-	2,267	-	-	-	3,024
Share-based compensation charges		-	-	43	-	-	-	-	43
<b>Balance at December 31, 2013</b>		136,437	\$ 128,768	\$ 7,322	\$ 5,572	\$ (355)	\$ -	\$ (52,750)	\$ 88,557
Net loss for the year		-	-	-	-	-	-	(56,975)	(56,975)
Share issuance – Oroco Agreement	17(i)	1,200	210	-	-	-	-	-	210
Private placement	20(b)	7,458	1,021	-	-	-	-	-	1,021
Unrealized gain in available for sales investment	7	-	-	-	-	-	1,953	-	1,953
Share-based compensation charges		-	-	31	-	-	-	-	31
<b>Balance at December 31, 2014</b>		145,095	\$ 129,999	\$ 7,353	\$ 5,572	\$ (355)	\$ 1,953	\$ (109,725)	\$ 34,797

# Goldgroup Mining Inc.

## Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013  
(expressed in thousands of U.S. dollars, except where indicated)

	Note	2014	2013
<b>Cash used from operating activities</b>			
Net loss for the year		\$ (56,975)	\$ (6,976)
Items not affecting cash			
Depreciation and depletion	10,11	658	1,885
Deferred tax (recovery) expense	25	(7,921)	1,874
Share-based compensation charges		31	43
(Gain) loss from investment in associates	12	(9)	2
Unrealized foreign exchange gain		-	(9)
Finance cost – accretion expense of decommissioning obligation	18	-	95
Finance cost – accretion of loan payable and promissory note	24	276	27
Finance cost – commitment fee of loan payable	24	25	-
Unrealized derivative (gain) loss – warrant liability	19	(631)	4
Impairment - inventory	9	-	781
Impairment – mineral properties		42,656	-
Impairment – investment in associates	12	18,178	-
Impairment – investments	8	-	700
(Gain) loss from disposal of property, plant and equipment		(170)	41
Interest on loan payable		635	-
Change in non-cash operating working capital			
Decrease (increase) in accounts receivable and prepaid expense		3,249	(1,045)
Decrease in inventory		1,107	2,298
Increase (decrease) in accounts payable and accrued liabilities		(824)	(1,048)
Increase in tax payable		1,758	-
		2,043	(1,328)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares	20(b)	1,371	-
Private placement issuance costs	19/20(b)	(100)	-
Proceeds from loan payable	16	5,859	4,027
Repayment of principal on loan payable	16	(4,722)	-
Repayment of interest on loan payable	16	(635)	-
		1,773	4,027
<b>Cash flows used in investing activities</b>			
Sale proceeds (purchase) of equipment		172	(210)
Investment – Oroco Agreement		-	(1,003)
Investment – investment in associate	12	(113)	(120)
Exploration and evaluation property		(1,085)	(1,387)
Developing and operating on mining operation	14	(7,363)	(7,504)
Recovery from pre-production sales	13	6,771	-
Sale of mineral property (net of costs)	13	9,698	-
		8,080	(10,224)

- Continued -

The accompanying notes are an integral part of these consolidated financial statements.

## Goldgroup Mining Inc.

### Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013

(expressed in thousands of U.S. dollars, except where indicated)

	Note	2014	2013
<b>(Decrease) increase in cash and cash equivalents</b>		11,896	(7,525)
<b>Cash and cash equivalents - beginning of year</b>		963	8,488
<b>Cash and cash equivalents - end of year</b>		\$ 12,859	\$ 963
Cash		\$ 12,837	\$ 942
Short term investment		22	21
Cash and cash equivalents - end of year		12,859	963

*Supplemental cash flow (note 29)*



# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

(amounts expressed in thousands of US dollars, except where indicated)

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### 1 Nature of operations

#### *Overview*

Goldgroup Mining Inc. is the parent company of its consolidated group ("Goldgroup" or the "Company"). Goldgroup was incorporated in Quebec under the Business Corporations Act (Québec) and on July 28, 2011 it was continued under the Business Corporations Act (British Columbia). Its head office is located at Suite 1502 – 1166 Alberni Street, Vancouver BC, V6E 3Z3. Goldgroup together with its subsidiaries, is a Canadian-based gold producer and is focused on the acquisition, exploration and development of advanced stage gold-bearing mineral properties in the Americas. The Company's current gold production and exploration and development related activities are conducted exclusively in Mexico. Goldgroup owns the Cerro Colorado mine in Sonora, along with a property portfolio that includes a 100% interest in the Cerro Prieto project in Sonora. The Company is listed on the Toronto Stock Exchange ("TSX") under the symbol "GGA".

#### *Going Concern*

The Company has experienced recurring operating losses and has an accumulated deficit of \$110,017 at December 31, 2014 (2013 – \$52,750). In addition, as at December 31, 2014, the Company has working capital of \$6,420 (2013 - \$2,168). Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. The continuing operations of the Company are dependent upon its ability to arrange additional financing and resolving the legal disputes with DynaResource, Inc. ("DynaUSA") (note 12). These matters result in material uncertainties which may cast significant doubt about the Company's on its ability to continue as a going concern. These financial statements do not include any adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

### 2 Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The policies set out below were consistently applied to all periods presented.

The Board of Directors approved this set of financial statements on March 30, 2015.

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value.

#### **Restatement of prior period**

The Company has determined that no discount to the value of shares that are to be issued on the acquisition of Minas De Oroco Resources, Sa De Cv (Note 5) should have been recorded in fiscal 2013. The effect of the restatement is to increase Development properties and Contingent share consideration by \$900. The effect on the Statement of Changes in Shareholders' Equity and Deficit is an increase of equity of \$900. Supplemental cash flow disclosure (Note 29) related to fiscal 2013 has also been amended.

There is no impact on the statement of loss and comprehensive loss and statement of cash flow.

#### **New and amended IFRS pronouncements effective January 1, 2014**

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IAS 32 Financial Instruments: Presentation ("Amended IAS 32") was amended by the IASB in December 2011. The amendment clarifies that an entity has a legally enforceable right to offset financial assets and financial liabilities if that right is not contingent on a future event and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The adoption of Amended IAS 32 did not have a significant impact on the Company's consolidated financial statements.

IAS 36 Impairment of Assets ("Amended IAS 36") was amended by the IASB in May 2013. The amendments require the disclosure of the recoverable amount of impaired assets when an impairment loss has been recognized or reversed during the period and additional

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

(amounts expressed in thousands of US dollars, except where indicated)

disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The adoption of Amended IAS 36 did not have a significant impact on the Company's consolidated financial statements.

IFRIC 21 Levies ("IFRIC 21"), an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments was issued by the IASB in May 2013. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective prospectively for annual periods commencing on or after January 1, 2014. The adoption of IFRIC 21 did not result in an adjustment to the Company's consolidated financial statements.

### **Future changes in accounting policies not yet effective**

#### *Financial instruments*

In November 2009, the IASB issued IFRS 9, "Financial Instruments" ("IFRS 9") as the first phase in its project to replace IAS 39 (classification and measurement) and required that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Requirements for financial liabilities were added to IFRS 9 in October 2010 with most of the requirements for financial liabilities carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. The IASB decided on an implementation date of January 1, 2018. In November 2013, IFRS 9 was amended to include guidance on hedge accounting (phase 3) and to allow entities to apply IFRS 9 immediately. The Company is currently assessing the impact of adopting IFRS 9 on the consolidated financial statements.

## **3 Estimates, risks and uncertainties**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its consolidated financial statements. In addition, the preparation of the financial data requires that the Company's management make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

### ***Significant judgments in applying accounting policies***

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

#### **(i) Impairment assets**

The carrying value of plant and equipment, intangible assets, exploration and evaluation properties and development properties is reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in profit or loss. The assessment of fair values, including those of the cash-generating units, require the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of assets could impact the impairment analysis.

#### **(ii) Economic recoverability and probability of future economic benefits of exploration and development costs**

Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

(amounts expressed in thousands of US dollars, except where indicated)

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### (iii) Functional currency

The functional currency for each of the Company's subsidiaries, joint ventures and investments in associates, is the currency of the primary economic environment in which the entity operates. The Company has determined the functional currency of each entity is the US dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

### (iv) Commencement of commercial production

Costs associated with the commissioning of new assets, in the pre-commercial period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues. Commercial production is deemed to have occurred when management determines that, amongst other items, the completion of operational commissioning of major mine components has been reached, operating results, which includes the grade and volume of material mined, are being achieved consistently for a period of time, and there are indicators that these operating results will continue, all of which involve management judgments.

#### *Key sources of Estimation Uncertainty*

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates. Differences may be material.

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

#### (i) Mineral Reserves

Proven and probable mineral reserves are the economically mineable parts of the Company's measured and indicated mineral resources demonstrated by at least a preliminary feasibility study. The Company estimates its proven and probable reserves and measured and indicated and inferred mineral resources based on information compiled by appropriately qualified persons. Qualified persons are defined in accordance with Canadian Securities Administrators National Instrument 43-101. The information relating to the geological data on the size, depth and shape of the ore body requires complex geological judgments to interpret the data. The estimation of future cash flows related to proven and probable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the proven and probable reserves or measured and indicated and inferred mineral resources estimates may impact the carrying value of exploration and evaluation properties, plant and equipment, decommissioning and restoration provision, recognition of deferred tax amounts and depreciation and depletion.

The recoverability of the mineral reserve amounts is dependent on the Company's ability to secure and maintain title and beneficial interests in the properties to obtain the necessary financing, to continue the exploration and future developments of the properties, and/or to realize the carrying amount through a sale or partial disposal.

#### (ii) Depreciation and depletion

Plants and other facilities used directly in mining activities are depreciated using the units-of-production ("UOP") method over a period not to exceed the estimated life of the ore body based on recoverable ounces to be mined from proven and probable reserves. Mobile and other equipment are depreciated, net of residual value, on a straight-line basis, over the useful life of the equipment to the extent that the useful life does not exceed the related estimated life of the mine based on proven and probable reserves.

The calculation of the UOP rate, and therefore the annual depreciation and depletion expense, could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and differences in gold price used in the estimation of mineral reserves.

Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation and depletion and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

(amounts expressed in thousands of US dollars, except where indicated)

### (iii) Inventories

Expenditures incurred, and depreciation and depletion of assets used in mining and processing activities are deferred and accumulated as the cost of ore in stockpiles, ore on leach pads, in-process and finished metal inventories. These deferred amounts are carried at the lower of average cost or net realizable value ("NRV"). Write-downs of ore in stockpiles, ore on leach pads, in-process and finished metal inventories resulting from NRV impairments are reported as a component of current period costs. The primary factors that influence the need to record write-downs include prevailing and long-term metal prices and prevailing costs for production inputs such as labour, fuel and energy, materials and supplies, as well as realized ore grades and actual production levels.

Costs are attributed to the leach pads based on current mining costs, including applicable depreciation and depletion relating to mining operations incurred up to the point of placing the ore on the pad. Costs are removed from the leach pad based on the average cost per recoverable ounce of gold on the leach pad as the gold is recovered. Estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the pads, the grade of ore placed on the leach pads and an estimated percentage of recovery. Timing and ultimate recovery of gold contained on leach pads can vary significantly from the estimates. The quantities of recoverable gold placed on the leach pads are reconciled to the quantities of gold actually recovered (metallurgical balancing), by comparing the grades of ore 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 from a pad will not be known until the leaching process is completed.

The allocation of costs to ore on leach pads and in-process inventories and the determination of NRV involve the use of estimates. There is a high degree of judgment in estimating future costs, future production levels, proven and probable reserves estimates, gold and silver prices, and the ultimate estimated recovery for ore on leach pads. There can be no assurance that actual results will not differ significantly from estimates used in the determination of the carrying value of inventories.

### (iv) Decommissioning and restoration provision

The Company assesses its provision for reclamation and remediation on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation and exploration and development property. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

### (v) Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to profit or loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

For asset acquisitions, contingent share consideration is an estimate of the fair value of the contingent amounts expected to be payable in the future. The fair value is based on number of contingent shares, the share price of the Company on the date of acquisition and management's expectations of probability.

### (vi) Contingencies

Due to the size, complexity and nature of the Company's operations, various legal and tax matters are outstanding from time to time. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of the changes in its consolidated financial statements on the date such changes occur.

In the fourth quarter of 2012, the Mexican government amended the Federal labour law regarding subcontracting arrangements to prevent the use of service companies to reduce labour and tax obligations. The Company currently operates in Mexico using these subcontracting arrangements as is the common practice. The amendments also provided clarification on certain regulatory requirements associated with an employer's obligation to compensate employees with appropriate statutory profit sharing within Mexico. The Company has assessed the implications of these amendments and has determined that it is probable that no additional obligation for statutory profit sharing payments is required to be recorded by the Company.

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

(amounts expressed in thousands of US dollars, except where indicated)

### (vii) Deferred taxes

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

## 4 Significant accounting policies

### Principles of consolidation

#### Subsidiaries

Subsidiaries are all entities controlled by the Company. An investor controls an investee when it is exposed or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. These consolidated financial statements include the financial statements of the Company and its subsidiaries:

	Property	Location	As at December 31, 2014	As at December 31, 2013
<b>Subsidiaries</b>				
Granmin Malaysia Ltd. (“Granmin Malaysia”)	-	Malaysia	100%	100%
Granmin SA de CV (“Granmin Mexico”)	Cerro Colorado	Mexico	100%	100%
Minera Calipuy SA de CV (“Calipuy”)	-	Mexico	100%	100%
Goldgroup Resources Inc. (“Holdings”)	-	Canada	100%	100%
GGR Candeler SA de CV (“GGR”)	-	Mexico	100%	100%
Candymin SA de CV (“Candymin”)	Caballo Blanco*	Mexico	100%	100%
0919921 B.C. Ltd.	Caballo Blanco*	Mexico	100%	100%
Gold Opmin SA de CV (“Gold Opmin”)	-	Mexico	100%	100%
0788598 B.C. Ltd.	-	Canada	100%	100%
0788601 B.C. Ltd.	-	Canada	100%	100%
091152 B.C. Ltd.	-	Canada	100%	100%
Minera Polimetalicos Mexicanos S.A.	-	Panama	100%	100%
Minas de Oroco Resources SA de CV	Cerro Prieto	Mexico	100%	100%
Minera Cardel SA de CV (“Minera Cardel”)	Caballo Blanco*	Mexico	100%	100%
<b>Investment in associates</b>				
DynaResource de Mexico SA de CV (“DynaMexico”)	San José de Gracia	Mexico	50%	50%

\*Caballo Blanco project (see note 13) sold in fiscal 2014 but the Company maintains its corporate structure as at December 31, 2014.

#### Investment in associates:

Associates are entities over which the Company has significant influence and that are neither subsidiaries nor interests in joint ventures. Significant influence is the ability to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies. In general, significant influence is presumed to exist when the Company has between 20% and 50% of voting power. Significant influence may also be evidenced by factors such as the Company’s representation on the board of directors, participation in policy-making of the investee, material transactions with the investee, interchange of managerial personnel, or the provision of essential technical information. Associates, except when classified as held-for-sale, are equity accounted for from the effective date of commencement of significant influence to the date that the Company obtains control or ceases to have significant influence.

# Goldgroup Mining Inc.

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Results of associates are equity accounted for using the results of their most recent annual and interim financial statements. Losses from associates are recognized in the consolidated financial statements until the interest in the associate is written down to nil. Thereafter, losses are recognized only to the extent that the Company is committed to providing financial support to such associates.

The carrying value of the investment in an associate represents the cost of the investment, including a share of the post-acquisition earnings and losses, accumulated other comprehensive income ("AOCI") and any impairment losses. At the end of each reporting period, the Company assesses whether there is any objective evidence that its investments in associates are impaired.

### Business combinations

A business combination is a transaction or other event in which control over one or more businesses is obtained. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits. A business consists of inputs and processes applied to those inputs that have the ability to create outputs that provide a return to the Company and its shareholders. A business need not include all of the inputs and processes that were used by the acquiree to produce outputs if the business can be integrated with the inputs and processes of the Company to continue to produce outputs. If the integrated set of activities and assets is in the exploration and development stage, and thus, may not have outputs, the Company considers other factors to determine whether the set of activities and assets is a business. Those factors include, but are not limited to, whether the set of activities and assets:

- has begun planned principal activities;
- has employees, intellectual property and other inputs and processes that could be applied to those inputs;
- is pursuing a plan to produce outputs; and

Not all of the above factors need to be present for a particular integrated set of activities and assets in the development stage to qualify as a business.

Business acquisitions are accounted for using the acquisition method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition with the excess of the purchase consideration over such fair value being recorded as goodwill and allocated to cash-generating units. Non-controlling interest in an acquisition may be measured at either fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's net identifiable assets.

Acquisition related costs are expensed during the period in which they are incurred, except for the cost of debt or equity instruments issued in relation to the acquisition which is included in the carrying amount of the related instrument.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will not exceed one year from the acquisition date.

If the assets acquired are not a business, the transaction is accounted for as an asset acquisition.

### Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within ninety days of purchase.

### Foreign currency translation

The consolidated financial statements are presented in US dollars which is also the functional currency of the Company and its subsidiaries. Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Foreign exchange gain and losses are included in profit or loss.

### Revenue Recognition

Revenue from the sale of metals is recognized when all of the following conditions have been satisfied:

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- The significant risks and rewards of ownership have been transferred;
- Neither continuing managerial management involvement to the degree usually associated with ownership nor effective control over the goods sold has been retained;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

### **Inventories**

Finished goods (doré inventory) and heap leach ore are valued at the lower of average production cost and net realizable value. Doré represents a bar containing predominantly gold by value which must be refined offsite to return saleable metals. Net realizable value is the amount estimated to be obtained from sale of the inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale. The production cost of inventories is determined on a weighted average basis and includes cost of raw materials, direct labour, mine-site overhead and depreciation and depletion of mine properties and plant and equipment.

The recovery of gold and by-products from oxide ores is achieved through the heap leaching process formerly at the Cerro Colorado mine and in the future of the Cerro Prieto mine. Under this method, ore is placed on leach pads where it is treated with a chemical solution which separates the gold contained in the ore. The time required for the majority of the gold to be recovered utilizing heap leaching is over a period of up to 120 days. The resulting “pregnant” solution is further processed in a plant where the gold is recovered. Operating costs at each stage of the process are capitalized and included in work-in-process inventory based on current mining and leaching costs, including applicable depreciation and depletion relating to the mine properties and plant and equipment. These costs are removed from heap leach inventory as ounces of gold are recovered at the average cost per ounce per recoverable ounce of gold on the leach pads. Estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the leach pads (measured tonnes added to leach pads), the grade of ore placed on the leach pads (based on assays analysis), and a recovery percentage (based on testing and ongoing monitoring of the rate of gold recoveries).

Consumable supplies and spare parts expected to be used in production are valued at the lower of weighted average cost or net realizable value, which includes the cost of purchase as well as transportation and charges to bring them to their existing location and condition.

A write-down of inventory is recognized as an expense in profit or loss in the period the write-down occurs. Reversal of any write-down of inventory, arising from an increase in net realizable value, is recognized in profit or loss as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

### **Plant and Equipment and Enterprise Resource Planning Software**

Plant and equipment are recorded at cost and carried net of accumulated depreciation and accumulated impairment losses. Costs of additions and improvements are capitalized. An item of plant and equipment is derecognized upon disposal, or impaired when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the proceeds and the carrying amount of the asset is recognized in profit or loss.

Plant assets used in commercial production are subject to depreciation and depletion over their useful life. For buildings and machinery, the UOP method is applied where the mine operating plan calls for production from well-defined mineral deposits. Where total mineral deposits are not determinable because ore bearing structures are open at depth or are open laterally, the straight-line method is applied over the estimated life of the mine.

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For transportation, computer and other equipment, the straight-line method is also applied over the estimated useful lives of the assets:

	Years
Vehicles	3-4
Office equipment	3-5
Computer equipment	2-3
Computer software	2
Leasehold improvements	lesser of 5 years straight line or term of lease
Enterprise resource planning software	3

Major overhaul expenditures on mobile equipment and other tangible property, including replacement spares and labour costs, are capitalized and amortized over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance of the mobile equipment are charged to operating costs if it is not probable that future economic benefits will flow to the Company.

### Mineral Properties

#### (i) Pre-license costs:

Costs incurred before the Company has obtained the legal right to explore are expensed as incurred.

#### (ii) Exploration and evaluation costs:

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized on a property by property basis, including the costs of acquiring, maintaining its interest in, exploring and evaluating mineral properties until such time as the lease expires, the mineral properties abandoned, sold or considered impaired in value or is transferred to mines under construction as development cost. Indirect administrative costs are expensed as incurred. Exploration and evaluation properties are not amortized during the exploration and evaluation stage.

#### (iii) Mines under construction and development costs:

When technical feasibility and economic viability of projects have been determined and the decision to proceed with development has been approved, the expenditures related to construction are capitalized as mines under construction and classified as a component of mine properties, plant and equipment. Costs associated with the commissioning of new assets, in the pre-commercial period before they are operating in the way intended by management, are capitalized, net of any preproduction revenues. Commercial production is deemed to have occurred when management determines certain production parameters are met.

In order for production to occur, the Company must first obtain exploitation and other permits on such properties. Such permits are subject to the approval of the local government and government controlled entities. Unless and until such permits are obtained there can be no assurance that such permits will be obtained. As such, permits need to be obtained before costs are reclassified from exploration and evaluation properties to mines under construction.

#### (iv) Mine properties:

Once a mineral property has been brought into commercial production as intended by management, costs of any additional work on that property are expensed as incurred, except for large development programs, which will be deferred and depleted over the remaining useful life of the related assets. Mine properties include deferred stripping costs and decommissioning and restoration costs related to the reclamation of mine properties. Mine properties are derecognized upon disposal, or impaired when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the proceeds received and the carrying amount of the asset is recognized in profit or loss.

Costs of producing mine properties are depreciated and depleted on the unit-of-production basis using estimated proven and probable reserves. Depreciation or depletion is recorded against the mine property only upon the commencement of commercial production.

Exploration expenditures are expensed as incurred at mine properties, unless the nature of the expenditures are to convert mineral resources into mineral reserves or in the absence of a mineral resource estimate, are to define areas to be included in the mine plan. Any amounts deferred in this regard are depreciated based on the unit-of-production method.



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Mine properties are recorded at cost, net of accumulated depreciation and depletion and accumulated impairment losses and are not intended to represent future values.

Recovery of capitalized costs is dependent on successful development of economic mining operations or the disposition of the related mineral property.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, non-compliance with regulatory requirements or title may be affected by undetected defects.

### Stripping Costs

Stripping costs incurred during the development of a mine are capitalized in mine properties. Stripping costs incurred subsequent to commencement of commercial production are variable production costs that are included in the costs of inventory produced during the period in which the stripping costs are incurred, unless the stripping activity can be shown to give rise to future benefits from the mineral property, in which case the stripping costs would be capitalized. Future benefits arise when stripping activity increases the future output of the mine by providing access to a new ore body. Capitalized stripping costs are depleted based on the unit-of-production method, using proven and probable reserves as the depletion base.

### Decommissioning and Restoration

The Company is subject to various governmental laws and regulations relating to the protection of the environment. The environmental regulations are continually changing and are generally becoming more restrictive.

Decommissioning and restoration obligations encompass legal, statutory, contractual or constructive obligations associated with the retirement of a long-lived tangible asset (for example, mine or site reclamation costs) that results from the acquisition, construction, development and/or normal operation of a long-lived asset. The retirement of a long-lived asset is reflected by an other-than-temporary removal from service, including sale of the asset, abandonment or disposal in some other manner.

The present value of a liability for decommissioning and restoration is recorded in the period in which the obligation first arises. The Company records the estimated present value of future cash flows associated with site closure and reclamation as a long-term liability and increases the carrying value of the related assets for that amount. Over time, the liability is increased to reflect an interest element in the estimated future cash flows (accretion expense) considered in the initial measurement of fair value. The capitalized cost is depleted or depreciated on either the unit-of-production basis or the straight-line basis, as appropriate. The Company's estimates of its provision for decommissioning and restoration obligations could change as a result of changes in regulations, changes to the current market-based discount rate, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for in the period in which these estimates are revised.

### Impairment of Non-Financial Assets

For the purposes of assessing impairment, the recoverable amount of an asset, which is the higher of its fair value less costs to sell and its value in use, is estimated. If it is not possible to estimate the recoverable amount of an individual asset, the asset is included in the cash-generating unit to which it belongs and the recoverable amount of the cash generating unit is estimated. As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Intangible assets with an indefinite useful life and intangible asset not yet available for use are also tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the asset is impaired such as decreases in metal prices, an increase in operating costs, a decrease in mineable reserves or a change in foreign exchange rates. The Company also considers net book value of the asset, the ongoing costs required to maintain and operate the asset, and the use, value and condition of the asset.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the value-in-use, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Future cash flows used in the determination

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of value in use are estimated based on expected future production, recoverability of reserves, commodity prices, operating costs, reclamation costs and capital costs. Management estimates of future cash flows are subject to risks and uncertainties. It is reasonably possible that changes in estimates could occur which may affect the recoverable amounts of assets, including the Company's investments in mine properties.

Fair value is determined with reference to discounted estimated future cash flow analysis or on recent transactions involving dispositions of similar properties.

An impairment loss for a cash-generating unit is first allocated to reduce the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is allocated on a pro rata basis to the other assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist or may have decreased. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, however only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years.

### Provisions

Liabilities are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a financing expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is certain that a reimbursement will be received and the amount receivable can be measured reliably.

### Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are based on differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects taxable profit or accounting profit. Deferred tax liabilities on temporary differences associated with shares in subsidiaries and joint ventures is not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured, without discounting, using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized for all temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

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Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

### Share-based Payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled transactions and, when determinable, are recorded at the value of the goods and services received. If the value of the goods and services received are not determinable, then the fair value of the share-based payment is used.

The Company uses a fair value based method (Black-Scholes Option Pricing Model) for all share options granted to directors, employees and certain non-employees. For directors and employees, the fair value of the share options is measured at the date of grant. For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged either to profit or loss, with the offsetting credit to share option reserve. For directors and employees, the share options are recognized over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods where vested. For non-employees, the share options are recognized over the related service period. When share options are exercised, the amounts previously recognized in share option reserve are transferred to share capital.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and/or warrants granted and/or vested during the period.

In the event share options are forfeited prior to vesting, the associated fair value recorded to date is reversed. The fair value of any vested share options that expire remain in share option reserve.

### Contingent share consideration

When purchase consideration that is contingent on the future event is granted in an acquisition that does not constitute a business combination, the initial cost of the acquisition includes an estimate of the fair value of the contingent amounts expected to be payable in the future.

The fair value of the contingent amounts are based the number of contingent shares, the share price of the Company's on the date of acquisition and management's expectations of probability.

### Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing net earnings (loss) (the numerator) by the weighted average number of outstanding common shares for the period (denominator). When diluted earnings per share is calculated, only those outstanding share options and warrants and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive. Therefore basic and diluted loss per share is the same.

### Segmented Reporting

In identifying its operating segments, management generally follows the Company's activities. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The activities are undertaken by the mine operating segment and the exploration and development segment and are supported by the corporate segment. Each segment is managed separately. The operating results of the segments are reviewed regularly by the Company's Chief Executive Officer (who is considered the chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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### Financial Instruments - Recognition and Measurements

#### (i) *Non-derivative financial assets*

Financial assets, other than derivatives, are classified as available-for-sale, held-to-maturity investments, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as available-for-sale are measured at fair value on initial recognition plus transaction costs and subsequently at fair value with unrealized gains and losses recognized in other comprehensive income (loss), except for financial assets that are considered to be impaired in which case the loss is recognized in profit or loss. The Company has classified its investments as available for sale.

Financial assets classified as held-to-maturity investments and loans and receivables are measured initially at fair value plus transaction costs and subsequently at amortized cost using the effective interest method. The Company's cash and cash equivalents and certain receivables are classified as loans and receivables.

Financial assets classified as FVTPL are measured on initial recognition and subsequently at fair value with unrealized gains and losses recognized in profit or loss. Transaction costs are expensed for assets classified as FVTPL. The Company has classified certain warrants as FVTPL.

#### (ii) *Non-derivative financial liabilities*

Financial liabilities, other than derivatives, are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, loan payable and promissory note are measured at amortized cost.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon recognition as FVTPL. Fair value changes on these liabilities are recognized in profit or loss. The Company has not designated any financial liabilities as FVTPL.

#### (iii) *Derivative financial instruments*

The Company issues warrants exercisable in a currency other than the Company's functional currency and as a result, the warrants are derivative financial instruments.

Derivative financial instruments are initially recognized at fair value and subsequently measured at fair value with changes in fair value recognized in profit or loss. Transaction costs are recognized in profit or loss as incurred.

### Share Issuance Costs

Share issue costs, which includes commissions, facilitation payments, professional fees and regulatory fees, are charged directly to share capital.

### Valuation of Equity Units Issued in a Private Placement

Shares and warrants issued as private placement units are measured using the relative value method whereby value is first allocated to the warrant liability component based on its fair value with the residual value being attributed to the equity unit. The fair value of the warrant is determined using the Black-Scholes Option Pricing Model.

All of the Company's warrants are exercisable in a currency other than the functional currency of the Company. As a result, the fair value allocated to the warrant is recorded as a derivative financial liability and is marked to market at the end of each period. Upon exercise of the warrant, the fair value of the warrant at the date of exercise is transferred to share capital.

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### Comprehensive Income (loss)

Total comprehensive income (loss) comprises all components of profit or loss and other comprehensive income (loss). Other comprehensive income (loss) includes changes in revaluation surplus, actuarial gains and losses on defined benefit plans, gains and losses from translating the financial statements of a foreign operation, gains and losses on remeasuring available-for-sale financial assets.

## 5 Acquisition of Minas De Oroco Resources, Sa De Cv

Pursuant to an agreement (the "Oroco Agreement") dated August 30, 2013 with Oroco Resources Corp. ("Oroco"), an unrelated TSX Venture Exchange listed company, the Company acquired all of the issued and outstanding shares of Minera Polymetalicos Mexicanos, S.A. ("Polymetalicos"), thereby indirectly acquiring Minas de Oroco Resources, S.A. de C.V. ("MOR"). MOR owns a 100% interest in the Cerro Prieto Project located in Sonora, Mexico, and is engaged in the exploration and development of that mineral property interest.

The Cerro Prieto Project was acquired for total consideration of \$8,106 comprised of:

- i) \$4,500 in cash;
- ii) a promissory note in the principal amount of \$1,500 (the "First Loan"), with the principal amount of the First Loan bearing simple interest at a rate of 8% per annum. The First Loan is payable in six equal monthly instalments of \$250 each, commencing on the later of January 31, 2015 and the first day of the month following the date the Cerro Prieto Project achieves commercial production. Interest will accrue on the principal amount of the First Loan from the date of closing of the Transaction and will be payable quarterly in arrears, on a declining balance, however, the Company's obligation to deliver such quarterly interest payments will be suspended until the Cerro Prieto Project achieves commercial production.
- iii) Issuing 5,500,000 common shares of the Company issued to Oroco at the date of closing;
- iv) A promissory note to Oroco in the principal amount of \$4,125 (the "Second Loan"), with the principal amount of the Second Loan bearing no interest and payable on the second anniversary of the closing of the Transaction. The Company may elect at its sole discretion to pay the principal amount of the Second Loan in cash or by issuing to Oroco 16,500,000 common shares;
- v) A production royalty calculated as 20% of the difference between the market price of gold and \$1,250 per ounce up to a maximum of US\$90 per ounce of gold produced from the Cerro Prieto Project, of the greater of (i) the first 90,000 ounces of gold produced from the Project and (ii) all ounces of gold produced from the Cerro Prieto Project until the completion of five full years of after certain criteria have been met.

The project has an existing 2% net smelter return royalty.

The Company incurred legal fees of \$88 relating to this acquisition. In addition, the Company reimbursed Oroco \$63 for interest payments that Oroco incurred on its loan during the extension period between June 30, 2013 and August 30, 2013.

The Company has accounted for the transaction as an asset acquisition, rather than a business combination, as the companies acquired do not constitute a business as defined by IFRS 3, Definition of a Business.

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The purchase price has been calculated and allocated as follows:

	Note	
<b>Consideration paid:</b>		
Cash		\$ 4,500
Common shares issued		757
First loan (\$1,500 promissory note)	(a)	1,331
Second loan (\$4,125 promissory note or 16.5 million shares)	(b)	2,267
Legal and other fees		151
		\$ 9,006
<b>Net identifiable assets</b>		
Mineral property		\$ 9,006

a) The First Loan note is expected to be payable. As such, the present value of the expected future payment was recorded as an acquisition cost.

b) The Second Loan has been determined to be payable in 16.5 million common shares with a value of \$2,267 (note 2).

The purchase price allocation is a result of management's best estimates after taking into account all relevant information available at the time these consolidated financial statements were prepared.

## 6 Receivables and prepaid expenses

	Note	December 31, 2014	December 31, 2013
<b>Current asset</b>			
<b>Financial assets</b>			
Receivables - other		\$ 55	22
Employee receivables		2	2
		57	24
<b>Non-Financial assets</b>			
Value-added tax receivables		-	\$ 4,377
Corporate tax receivables		412	1,379
<b>Total receivables</b>		469	\$ 5,780
<b>Prepaid expenses</b>		156	523
		\$ 625	\$ 6,303
<b>Non-current assets</b>			
<b>Non-Financial assets</b>			
Value-added tax receivables		\$ 1,248	\$ -
Corporate tax receivables		1,391	-
		\$ 2,639	\$ -

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### 7 Financial instruments

#### Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

	December 31, 2014		December 31, 2013	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
<b>Financial assets</b>				
<i>Loans and receivables</i>				
Cash and cash equivalents	12,859	12,859	963	963
Receivables	57	57	24	24
<i>Available-for-sale</i>				
Investment	15,841	15,841	170	170
<b>Financial liabilities</b>				
<i>Other financial liabilities</i>				
Accounts payable & accrued liabilities	4,620	4,620	2,830	2,830
Promissory note	1,503	1,503	1,399	1,399
Loan payable	4,444	4,444	4,192	4,192
<i>Derivative</i>				
Warrant liability	704	704	3	3

#### Fair value measurements

The following table sets forth the Company's assets and liabilities measured on a recurring basis by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Level 1	Level 2	Level 3	Total December 31, 2014
Cash and cash equivalents	\$ 12,859	\$ -	\$ -	\$ 12,859
Receivables		3,264	-	3,264
Investment	15,841	-	-	15,841
Accounts payable & accrued liabilities	-	(4,620)	-	(4,620)
Promissory note	-	(1,503)	-	(1,503)
Loan payable	-	(4,444)	-	(4,444)
Warrant liability derivative	-	-	(704)	(704)

Currency	Notes	December 31, 2014	December 31, 2013
Canadian Dollars	(i)	\$ 78	\$ 830
US Dollars		12,770	52
Mexican Pesos	(ii)	11	81
		\$ 12,859	\$ 963

(i) Canadian dollars of \$90 was converted at a Canadian to US dollar exchange rate of 0.8620 (December 31, 2013 - \$875 at 0.9482).

(ii) Mexican pesos of \$162 was converted at a Pesos to US dollar exchange rate of 0.0678 (December 31, 2013 - \$1,061 at 0.07625).

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

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### Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents. The majority of the Company's cash and cash equivalents are held through large Canadian financial institutions.

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 28. The accounts payable and income taxes payable are due within the current operating period.

### Market Risk

The Company's financial instruments include investments which are publicly traded and therefore subject to the risks related to the fluctuation in market prices of publicly traded securities. Some of these investments have been acquired as a result of property transactions and, to a large extent, represent strategic investments in related mining companies and their properties. The Company closely monitors market values to determine the most appropriate course of action.

### Price Risk

Price risk is the risk that the trading price of the Company's shares will fluctuate and result in an increase or decrease in value of the warrant liability.

### Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company is exposed from time to time to interest rate risk as a result of holding fixed income cash equivalents and investments, of varying maturities and loans payable. A 1% change in market interest rates would result in no significant change in value of cash and cash equivalents or fixed income securities. The risk that the Company will realize a loss as a result of a decline in the fair value of these assets is limited as they are generally held to maturity.

### Foreign Exchange Risk

The Company operates in Canada, and Mexico and is exposed to foreign exchange risk arising from transactions denominated in foreign currencies.

The operating results and the financial position of the Company are reported in United States dollars. Fluctuations of the operating currencies in relation to the United States dollar will have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities.

The Company's financial assets and liabilities as at December 31, 2014 are denominated in United States Dollars, Canadian Dollars, and Mexican Pesos, and are set out in the following table:

	Canadian Dollars	US Dollars	Mexico Pesos	Total
<b>Financial assets</b>				
Cash and cash equivalent	\$ 78	\$ 12,770	\$ 11	\$ 12,859
Receivables - other	40	-	3,224	3,264
	118	12,770	3,235	16,123
<b>Financial liabilities</b>				
Accounts payables and accrued liabilities	919	-	3,701	4,620
Loan payable	-	4,444	-	4,444
Promissory note	-	1,503	-	1,503
Net financial assets (liabilities)	\$ (801)	\$ 6,823	\$ (622)	\$ 5,556

The Company's reported results will be affected by changes in the US dollar to Canadian dollar and US dollar to Mexican Pesos exchange rate. As of December 31, 2014, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial assets by approximately \$74. A 10% depreciation of the US Dollar relative to the Canadian dollar would have had the equal but opposite effect. A 10% appreciation of the Mexican Pesos relative to the US dollar would have increased net financial asset by



# Goldgroup Mining Inc.

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approximately \$62 and a 10% depreciation of the Mexican Pesos would have had an equal but opposite effect. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risk.

The table below summarizes the maturity profile of the Company's non-derivative financial liabilities based on undiscounted payments. As the amounts disclosed in the table are the contractual undiscounted cash flows, these balances may not agree with amounts disclosed in the balance sheet:

December 31, 2014	Current – within 1 year	Non- current – 1 to 3 years
Accounts payables and accrued liabilities	\$ 4,620	\$ -
Loan payable	-	4,444
Tax payable	1,866	-
Promissory note	1,503	-
	7,989	4,444

December 31, 2013	Current – within 1 year	Non- current – 1 to 3 years
Accounts payables and accrued liabilities	\$ 2,830	\$ -
Loan payable	4,192	-
Tax payable	108	-
Promissory note	-	1,399
	7,130	1,399

## 8 Investments

	Notes	December 31, 2013 Fair value	Acquired	OCI (before tax)	Derivative loss	December 31, 2014 Fair value
Oroco common shares		\$ 164	\$ -	\$ 16	\$ -	\$ 182
Oroco share purchase warrants		6	-	-	-	6
Timmins Gold common shares	13	-	13,426	2,227	-	15,653
		\$ 170	\$ 13,426	\$ 2,245	\$ -	\$ 15,841

	Note	December 31, 2012 Fair value	Acquired	Impairment	Derivative loss	Foreign exchange and other	December 31, 2013 Fair value
Oroco common shares		\$ -	\$ 903	\$ (700)	\$ -	\$ (39)	\$ 164
Oroco share purchase warrants		-	100	-	(91)	(3)	6
		\$ -	\$ 1,003	\$ (700)	\$ (91)	\$ (42)	\$ 170

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

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- i) On February 5, 2013, the Company acquired 5.0 million shares in Oroco at a price of CDN\$0.20 per unit by way of private placement, with each unit being comprised of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one common share of Oroco for a period of two years for CDN\$0.25. The total purchase price paid for the Oroco units was \$1,003 (CDN\$1,000). The fair value allocated to the common shares was \$903 and the fair value allocated to the warrants was \$100.

The Oroco warrants are considered to be derivative financial instruments and are measured each period end at fair value through profit and loss. A derivative loss of \$nil (2013 - \$91) was recorded during the year ended December 31, 2014.

- ii) On December 23, 2014, the Company received 15,929,200 common shares, net of transaction cost (16,065,000 common shares gross) of Timmins Gold Corp valued at \$13,426 as part of the sale of Caballo Blanco (see note 13).
- iii) The Company has designated its investments as available-for-sale financial assets and accordingly, changes in fair value are recorded in other comprehensive (income) loss in the period in which they occur. An unrealized gain of \$1,953 (net of tax) was recorded for the year ended December 31, 2014. A permanent impairment was recognized during the year ended December 31, 2013 of \$700.

## 9 Inventories

	December 31, 2014	December 31, 2013
Dore	\$ -	\$ 177
Gold-in-process	-	92
Consumable supplies	925	1,763
	925	2,032

Cost of sales represents the amount of product inventory recognized as an expense. All of the Company's inventories on hand are located at the Cerro Colorado mine in Mexico. During the year ended December 31, 2014 the Company recorded an impairment of \$nil with a corresponding entry to cost of sales (2013 - \$781).

During the year ended December 31, 2013, the Company ceased mining operations at Cerro Colorado.

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

(amounts expressed in thousands of US dollars, except where indicated)

### 10 Plant and equipment

	Cost December 31, 2012	Additions	Disposals	December 31, 2013	Additions	Disposals	December 31, 2014
Plant and mining equipment	\$ 9,139	\$ -	\$ (10)	\$ 9,129	\$ -	\$ (137)	\$ 8,992
Machinery	1,294	177	-	1,471	-	-	1,471
Office and furniture	381	15	(137)	259	-	(8)	251
Vehicles	909	8	(12)	905	-	-	905
Lab equipment	61	11	-	72	-	-	72
	\$ 11,784	\$ 211	\$ (159)	\$ 11,836	\$ -	\$ (145)	\$ 11,691
	Acc. Dep. December 31, 2012	Depreciation	Disposals	December 31, 2013	Depreciation	Disposals	December 31, 2014
Plant and mining equipment	\$ 6,187	\$ 1,461	\$ -	\$ 7,648	\$ 727	\$ (137)	\$ 8,238
Machinery	988	280	-	1,268	57	-	1,325
Office and furniture	281	52	(110)	223	11	(6)	228
Vehicles	739	81	(14)	806	60	-	866
Lab equipment	60	1	-	61	4	-	65
	\$ 8,255	\$ 1,875	\$ (124)	\$ 10,006	\$ 859	\$ (143)	\$ 10,722

Depreciation on plant and equipment for the year ended December 31, 2014 is \$859 of which \$439 is recorded as a cost of operation, \$6 is recorded as depreciation expense, \$73 is capitalized to the Caballo Blanco property (note 13) and \$341 is capitalized to the Cerro Prieto property (note 14).

Carrying amount	December 31, 2014	December 31, 2013
Plant and mining equipment	\$ 754	\$ 1,481
Machinery	146	203
Office and furniture	23	36
Vehicles	39	99
Lab equipment	7	11
	\$ 969	\$ 1,830

### 11 Enterprise Resource Planning Software

The intangible asset relates to an Enterprise Resource Planning (“ERP”) software implementation that occurred in 2012. The total cost of the software was \$665 and the accumulated amortization as December 31, 2014 was \$480 (2013 - \$267). The net book value as of December 31, 2014 was \$185 (2013 - \$398).

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

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### 12 Investments in associate – DynaMexico

The Company has a 50% equity interest in DynaMexico which owns 100% of an exploration project known as the San José de Gracia (“SJG”) located in the state of Sinaloa, Mexico.

The other 50% equity holder of DynaMexico is DynaUSA. DynaUSA provides management and accounting services based on 2.5% of the cash expenditures incurred by DynaMexico.

As a result of the Company qualifying to earn its 50% equity interest on March 14, 2011, the board of directors of DynaMexico was to be expanded to five members with DynaUSA and the Company each appointing two members and mutually agreeing on one additional member. Currently there are only four members as the one additional member has yet to be added.

The value of the Company’s investment in associate as at December 31, 2014 and 2013 was as follows:

Carrying amount	December 31, 2014	December 31, 2013
Investment, beginning of fiscal year	\$ 18,056	\$ 17,938
Funds invested	113	120
Share of gain (loss)	9	(2)
Impairment	(18,178)	-
	\$ -	\$ 18,056

On January 22, 2013 Goldgroup announced that it had moved to dismiss as totally without merit a lawsuit filed against it and others in Dallas County District Court by DynaResource, Inc. and DynaResource de Mexico, S.A. de C.V. (collectively “DynaResource”).

DynaResource alleged, among other things, that the Company has wrongfully used and disseminated confidential information and data belonging to DynaResource, and materially misrepresented Goldgroup’s ownership interest in SJG. Goldgroup owns a 50% interest in DynaMexico, which owns 100% of SJG. Goldgroup has properly disclosed its interest in SJG, has not materially misrepresented it, and has not improperly used any DynaResource confidential information. Goldgroup denies all such allegations by DynaResource, has moved to dismiss the lawsuit, and intends to vigorously defend itself and its interests.

On October 28, 2013 the Company announced that it filed a legal action before the appropriate criminal authorities in Mexico concerning recent activities undertaken by Koy Wilber Diepholz (“Diepholz”), shareholder, President and Chairman of the Board of Directors of DynaMexico and Chairman, Chief Executive Officer and Treasurer of DynaUSA. The purpose of the legal action case is to investigate whether illegal acts were committed by Diepholz, in his role as CEO of DynaMexico, for his own benefit and for the benefit of DynaUSA.

On March 11, 2014 DynaResource dropped its lawsuit against the Company..

On March 14, 2014 the Company filed for arbitration in Denver, Colorado, against DynaResource Inc. to protect its interests pursuant to the SJG earn-in option agreement dated September 1, 2006.

As at December 31, 2014, due to the uncertainty of the status of the investment, the Company has impaired the remaining balance of the investment.

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

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### 13 Exploration and evaluation properties

	December 31, 2014	December 31, 2013
Caballo Blanco, beginning of fiscal year	\$ 64,468	\$ 63,388
Depreciation capitalized	73	97
Exploration expenditure	885	1,102
Fees and taxes	200	131
Reimbursement for 0.1% NSR	-	(250)
Impairment	(42,656)	-
	\$ 22,970	\$ 64,468
<b>Sale of Caballo Blanco</b>		
Cash consideration	\$ (10,000)	-
Transaction costs (cash and investments)	570	-
9,639,000 Timmins Gold common shares	(8,124)	-
6,426,000 Timmins Gold common shares	(5,416)	-
Caballo Blanco, ending of fiscal year	\$ -	\$ 64,468

Prior to the sale of Caballo Blanco during the current year ended December 31, 2014, the Company owned 100% of the Caballo Blanco project located in Mexico.

On December 23, 2014, the Company sold its 100% interest in the Caballo Blanco Project (the "Project") to Timmins Gold Corp ("Timmins Gold"). On Closing, Timmins Gold paid the Company \$10,000 (\$9,698 net of transaction cost) in cash 16,065,000 Timmins Gold shares, valued at \$13,540 (15,929,200 valued at \$13,426 net of transactions cost). The Company is also required to issue 160,650 Timmins Gold shares to a director of the Company who assisted with the transaction. A value of \$154 related to these shares is included in transaction costs. The shares had not been issued at year end and the value is included in accounts payable and accrued liabilities. Post-Closing, the Company will be entitled to receive an additional contingent amount of \$5.0 million that will become payable in cash, Timmins Gold shares, or a combination thereof (at the option of Timmins Gold, provided that the Company's ownership in Timmins Gold will not exceed 9.9% at any time) should any of the following events occur prior to October 31, 2019:

- The approval of the Project's Environmental Impact Statement from SEMARNAT
- A change in beneficial ownership of Timmins Gold of greater than 50%; or
- The removal or change, at one time, of a majority of the current members of the Timmins Gold Board of Directors

Of the consideration, 6,426,000 Timmins Gold common shares were placed in escrow upon Closing, and are to be released upon the earlier to occur of the completion of certain post-Closing actions or the expiration of the standard statutory hold period.

The Company has come to an agreement with RMB Resources Inc. and Credipresto SAPI de CV SOFM ENR to release and replace the existing security held over the Project in order for this transaction to proceed. As part of this agreement the Company will be required to maintain cash on hand of more or equal to the amount of the Facility outstanding, which is approximately \$6,470 as at December 31, 2014, until the escrowed shares are released to the Company. The terms and conditions of the existing credit agreement are otherwise unchanged (see note 16(i)).

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

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### 14 Development and operating mine properties

Carrying amount	Cerro Prieto (i)	Cerro Colorado (ii)	Total
Balance, December 31, 2012	\$ -	\$ 15,811	\$ 15,811
Acquisition cost (see note 5)(restated – note 2)	9,006	-	9,006
Depreciation capitalized	100	-	100
Mine operations	1,258	-	1,258
Plant and lab	405	-	405
Engineering	62	-	62
Leach pad	296	-	296
Geology	293	-	293
Roads	157	-	157
Crusher	358	-	358
Other	120	-	120
	12,055	15,811	27,866
Impairment	-	(15,811)	(15,811)
Balance, December 31, 2013	\$ 12,055	\$ -	\$ 12,055
Depreciation capitalized	341	-	341
Mine operations	6,806	-	6,734
Plant and lab	188	-	188
Engineering	148	-	148
Leach pad	364	-	364
Geology	300	-	300
Roads	-	-	-
Crusher	1,632	-	1,632
Other	232	-	232
Royalties	153	-	153
Restoration	153	-	153
Gold Sales (pre-production)	(6,771)	-	(6,771)
Balance, December 31, 2014	\$ 15,601	\$ -	\$ 15,601

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

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(amounts expressed in thousands of US dollars, except where indicated)

i) **Cerro Prieto**

Pursuant to an agreement (the "Oroco Agreement") dated August 30, 2013 with Oroco, an unrelated TSX Venture Exchange listed company, Goldgroup acquired all of the issued and outstanding shares of Polymetalicos, thereby indirectly acquiring MOR. MOR owns a 100% interest in the Cerro Prieto Project located in Sonora, Mexico, and is engaged in the exploration and development of that mineral property interest. See note 5 for acquisition details.

ii) **Cerro Colorado**

The Company owns a 100% interest in the Cerro Colorado mine, located in northern Sonora, Mexico. Gold is produced in doré in Mexico and then shipped to a refiner in the United States for final processing prior to sale. During the year ending December 31, 2013, the Company stopped full scale mining operations (and fully impaired the capitalized balance) and continued to process gold from the leach pad during fiscal 2014. The project is subject to a NSR royalty of 3%.

## 15 Accounts payable and accrued liabilities

	December 31, 2014	December 31, 2013
<b>Financial liabilities</b>		
Trade payables and accrued liabilities	\$ 4,480	\$ 2,830
Oroco IVA payable (see note 17(i))	140	-
	\$ 4,620	\$ 2,830

Trade payables are non-interest bearing and are normally settled on 45 day terms.

## 16 Loan payable

i) **Loan – RMB Australia Holdings Limited and Credipresto SAPI de CV SOFOM ENR**

On September 22, 2014, the Company closed an agreement with two lenders (the "Lenders"), RMB Australia Holdings Limited ("RMB") and Credipresto SAPI de CV SOFOM ENR ("Credipresto"), for a \$10,000 secured medium term loan facility (the "Facility"). The Facility is being funded 80% by RMB and 20% by Credipresto. Javier Reyes, a director of Goldgroup, is a principal of Credipresto.

The Facility is available for drawdown through December 18, 2016, the total amount drawn down as at December 31, 2014 was \$7,000. As at December 31, 2014, the principle outstanding is \$6,470.

The outstanding principal amount of the Facility accrues interest, in arrears, at an annualized rate of 15% on the portion of the Facility that is drawn down. The portion of the Facility which is not drawn down accrues interest, in arrears, at an annualized rate at 2% until December 18, 2016. The Facility matures on September 18, 2017 and is repayable in the amount of 25% of the outstanding amounts drawn (plus accrued interest) every three months commencing December 18, 2016. The Company will have the ability to cancel any amount of the Facility not drawn at any time prior to December 18, 2016 without penalty, and will also have the ability to prepay without penalty any outstanding drawn amount at any time subject to ten (10) days' notice, payment of adjustment costs and minimum prepayment amounts of \$500.

In addition, the Company issued to the Lenders three forms of Share Purchase Warrants (the "Warrants") with each Warrant entitling the Lender to acquire one (1) common share in the capital of the Company, exercisable for a period of 42 months (subject to the statutory hold period expiring January 20, 2015), as follows:

1. 3,000,000 Warrants (the "First Warrants") will have a forced exercise mechanism at the option of the Company. The First Warrants have an exercise price of CDN \$0.19 per common share. The Company will have the right to force conversion of the First Warrants if the average share price of the Company at the close of twenty (20) consecutive TSX trading days is at least CDN \$0.38.

# Goldgroup Mining Inc.

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2. 3,000,000 Warrants (the "Second Warrants") are cancellable by the Company if the Company does not draw more than \$7.5 million under the Facility by December 18, 2016, but in all other respects will have the same terms as the First Warrants.
3. 6,000,000 Warrants (the "Third Warrants") do not have a forced exercise mechanism. The Third Warrants will have an exercise price equal to CDN \$0.23.

In connection with the Facility, the Company has incurred transaction costs of \$2,223, which includes a \$600 structuring fee paid at the time of the first drawdown, the fair market value of the issued financier warrants of \$1,082 and legal fees. The transaction costs are amortized and charged to the profit or loss over the term of the facility.

	<b>December 31, 2014</b>
Balance, December 31, 2013	\$ -
Loan drawdown	7,000
Transaction cost	(2,223)
Finance cost – accretion expense of Facility (see note 24)	172
Finance cost – commitment fees of Facility (see note 24)	25
Repayments – principal	(530)
Repayments – interest expense	(268)
Interest expense (see note 24)	268
	<b>\$ 4,444</b>

### ii) Loan – private institutional investors

By a loan agreement dated August 30, 2013 (the "Loan Agreement"), the Company borrowed \$4,027 (CDN\$4,250) (the "Bridge Loan") from a wholly owned subsidiary of a New York-based, private institutional investor (the "Lender") for the purpose of paying the initial cash payment of \$4,500 for the Oroco Agreement (Note 5) for the Cerro Prieto Project. As part of the Loan Agreement, the Company was responsible for certain legal fees of the Lender. The Lender's legal fees totalled \$246.

The Loan was for a term of 16 months and was secured against all of the assets of the Company and its subsidiaries. The stated interest rate of the loan is 15% per annum. The principal and interest were repaid during the year ended December 31, 2014.

On September 19, 2014, the Company settled this loan with proceeds from the Facility by making a final payment of \$2,007 (Cdn\$2,190).

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Balance, beginning of period	\$ 4,192	\$ -
Loan withdrawal	-	3,846
Interest expense (see note 24)	367	200
Legal fees (see note 24)	-	246
Repayments	(4,469)	-
Foreign exchange gain	(90)	(100)
	<b>\$ -</b>	<b>\$ 4,192</b>

## 17 Promissory note payable

Pursuant to the Oroco Agreement dated August 30, 2013 with Oroco (Note 5), a promissory note in the principal amount of \$1,500 (the "First Loan"), bearing simple interest at a rate of 8% per annum and payable in six equal monthly instalments of \$250 each, commencing on the later of January 31, 2015 and the first day of the month following the date the Cerro Prieto Project achieves production criteria.



# Goldgroup Mining Inc.

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Interest will accrue on the principal amount of the First Loan from the date of closing of the Transaction and will be payable quarterly in arrears, on a declining balance, however, the Company's obligation to deliver such quarterly interest payments will be suspended until the Project achieves commercial production.

The undiscounted amount of estimated cash flows required to settle the promissory note payable are estimated to be \$1,695, including interest of \$195. The discounted amount of the promissory note at August 30, 2013 was \$1,330, using a discount rate of 15%.

	December 31, 2014	December 31, 2013
Balance, beginning of period	\$ 1,399	\$ -
Note payable issuance – face value	-	1,500
Discount for present value	-	(169)
Interest expense (see note 24)	120	41
Interest paid	(120)	-
Accretion expense (see note 24)	104	27
	\$ 1,503	\$ 1,399

- (i) On September 19, 2014, the Company closed an agreement (“IVA Agreement”) with Oroco whereby Oroco assigned to Goldgroup its rights to refunds stemming from certain IVA paid by Minas de Oroc S.A. de C.V. (the Company’s Mexican subsidiary acquired from Oroco Agreement). Under the IVA agreement, Oroco is entitled to 60% of the first CDN \$400 IVA refund (“First Split”). The Company settled the First Split by issuing Oroco 1.2 million common shares, valued at \$210. In addition, the Company will pay Oroco 50% of IVA refund in excess of CDN \$400 (“Second Split”). The Company may elect to settle Second Split through issuance of the Company’s common shares. As at December 31, 2014, the amount owing Oroco related to the Second Split is \$140 and is included in accounts payable and accrued liabilities (note 15).

## 18 Decommissioning obligation

The Company’s estimates of future decommissioning and restoration for reclamation and closure costs for its mines are based on reclamation standards that meet Mexican regulatory requirements. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements, reclamation plans and cost estimates, discount rates and timing of expected expenditures.

The undiscounted amount of estimated cash flows required to settle the decommissioning and reclamation costs is estimated at \$1,103 (2013 - \$950). The key assumptions on which this estimate was based on are:

- (i) Cerro Colorado mine expenditures of \$950 are expected to occur in 2015. Cerro Prieto’s expenditure’s present value is \$153 (2013 - \$nil), reflecting anticipated cash flows to be incurred over approximately the next 3.5 years. The original present value recorded was \$143 and the Company capitalized accretion of \$10 to development properties during the year ended December 31, 2014.
- (ii) The decommissioning obligation on Cerro Colorado mine was fully accreted by December 31, 2013. The discount rate used was 8.6% and the country rate risk is 2.4%. The Cerro Prieto mine’s present value has been calculated using an effective discount rate of 15%. The undiscounted value of these obligations is \$250 (2013 - \$nil).

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The discounted liability for the decommissioning and restoration provision is as follows:

	December 31, 2014	December 31, 2013
Balance, beginning of period	\$ 950	855
Addition – Cerro Prieto	143	-
Accretion expense (see note 24)	10	95
	\$ 1,103	\$ 950

## 19 Warrant liability

	Number of warrants	Weighted average exercise price (C\$)	Warrant liability (US\$)
Balance, December 31, 2012	2,000,000	\$ 1.25	\$ 90
Change in fair value	-	-	(87)
Balance, December 31, 2013	2,000,000	\$ 1.25	\$ 3
Value at grant	15,729,011	0.22	1,350
Warrant issuance cost	-	-	(18)
Change in fair value	-	-	(631)
Balance, December 31, 2014	17,729,011	\$ 0.34	\$ 704

Expiry date	Note	Number of warrants	Weighted average exercise price (C\$)
November 26, 2015		2,000,000	\$ 1.25
August 12, 2016	(ii)	2,767,955	0.25
August 22, 2016	(ii)	961,056	0.25
March 18, 2018	(i)	6,000,000	0.19
March 18, 2018	(i)	6,000,000	0.23
Balance, December 31, 2014		17,729,011	\$ 0.34

- i) In connection with the Facility indicated in Note 16, on September 19, 2014, the Company issued 12,000,000 warrants exercisable at prices ranging from \$0.19 to \$0.23 per share, expiring March 18, 2018. These warrants were assigned a fair value of \$1,082 using the Black-Scholes Pricing Model.
- ii) In connection with the two tranches of the private placement (see note 20(b)) in August 2014, the Company issued 3,729,011 warrants exercisable at a price of CDN\$0.25 per share, expiring up to August 22, 2016. These warrants were assigned a fair value of \$268 using the Black-Scholes Pricing Model.

The fair value allocated to the warrants at December 31, 2014 was \$704 (December 31, 2013 - \$3) and is recorded as a derivative financial liability as these warrants are exercisable in Canadian dollars, differing from the Company's functional currency. The gain

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## Notes to Consolidated Financial Statements

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recognized in the statement of loss and comprehensive loss for the years ended December 31, 2014 and 2013 was \$631 and \$87, respectively.

The fair value of the warrants is calculated using the Black-Scholes Option Pricing Model. Option pricing models require the input of highly speculative assumptions, including the expected future price volatility of a Company's shares. Changes in these assumptions can materially affect the fair value estimate and, therefore, existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants.

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Expected option life	2.6 years	-
Expected stock price volatility	91%	-
Dividend payment during life of option	Nil	-
Expected forfeiture rate	Nil	-
Risk free interest rate	1.22%	-
Weighted average strike price	\$ 0.34	-
Weighted average fair value per warrant	\$ 0.05	-
Weighted average share price	\$ 0.14	-

## 20 Share Capital

- a) The Company's authorized share capital consists of an unlimited number of common shares without par value.
- b) In August 2014, the Company completed a non-brokered private placement consisting of 7,458,021 units at a price of CDN \$0.20 per unit for gross proceeds of \$1,371 (CDN\$1,491). The Company allocated \$1,103 of the total proceeds to share capital and \$268 to warranty liability (note 19). Each unit consisted of one common share and one-half non-transferable common share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price CDN \$0.25 per shares for two years from the date of issue of the warrant. Finders' fees of \$82 were paid to an arm's length party.
- c) During the year ended December 31, 2013, 5.5 million common shares were issued to Oroco as part of the Oroco Agreement (see note 5) with respect to acquisition of the Cerro Prieto project. The Company has committed to issue 16.5 million of its common shares or, at its option, pay \$4,125 to Oroco on or before August 30, 2015. This contingent share consideration was valued at \$2,267 (see note 5).

## 21 Share based compensation

The Company has adopted a share option plan for which options to acquire up to 10% of the issued share capital, at the award date, may be granted to eligible optionees from time to time. Generally, share options granted have a maximum term of five years, and a vesting period and exercise price determined by the directors. The exercise price may not be less than the closing quoted price of the Company's common shares traded through the facilities of the exchange on which the Company's common shares are listed. As at December 31, 2014, share options available for issue under the plan were 14,509,460.

Total share options granted during the year ended December 31, 2014 were nil (2013 – 3,560,000). Total share-based compensation expense recognized for the fair value of share options granted and vested during the year ended December 31, 2014 was \$31 (2013 - \$43). The fair value of the share options granted during the year ended December 31, 2014 and 2013 was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

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	December 31, 2014	December 31, 2013
Expected option life	-	2.5 years
Expected stock price volatility	-	71%
Dividend payment during life of option	-	Nil
Expected forfeiture rate	-	Nil
Risk free interest rate	-	1.09%
Weighted average strike price	-	\$ 0.10
Weighted average fair value per option	-	\$ 0.02
Weighted average share price	-	\$ 0.17

	December 31, 2014		December 31, 2013	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding - beginning of year	8,748,858	\$ 0.70	10,375,108	\$ 1.00
Granted	-	-	3,560,000	0.10
Forfeited	-	-	(5,011,250)	0.89
Cancelled/expired	(2,613,858)	0.77	(175,000)	0.64
Outstanding - end of year	6,135,000	\$ 0.68	8,748,858	\$ 0.70

The following table discloses the number of options and vested options outstanding as at December 31, 2014:

Exercise price (C\$/option)	Option Outstanding			Option Exercisable		
	Options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (C\$/option)	Options outstanding and exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price (C\$/option)
\$0.10 to \$0.70	3,460,000	3.71	\$ 0.15	2,733,750	3.67	\$ 0.16
\$71 to \$1.45	2,675,000	1.07	1.36	2,675,000	1.07	1.36
Outstanding - end of year	6,135,000	<b>2.56</b>	\$ 0.68	5,408,750	<b>2.38</b>	\$ 0.75

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### 22 Related party transactions

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. The remuneration of the Company's directors and other key management personnel during the year ended December 31, are as follows:

	2014	2013
Short-term employee benefits	\$ 203	\$ 319
Director's fees	129	188
Share-based compensation	23	36
Legal fees	66	44
Consulting fees	301	-

Short-term employee benefits include salaries incurred within the last twelve months of the statement of financial position date and other annual employee benefits.

At December 31, 2014, trade and other accounts payable includes \$324 (2013 - \$71) owing to a director and/or officer and/or companies controlled by the directors.

During the year ended December 31, 2014 the Company paid legal fees totalling \$66 (2013 - \$44) and consulting fees totalling \$301 to companies controlled by directors of the Company.

The Company is also required to issue 160,650 Timmins Gold shares to a director of the Company who assisted with the transaction. A value of \$154 (included in consulting fees above) related to these shares is included in transaction costs (see note 13) related to the sale of Caballo Blanco.

Due to the particulars Mexican law, it is common for operating companies to employ their workers through a management company. The employees of Granmin Mexico were employed until May 31, 2014 by Pabelini, S.A. de C.V. ("Pabelini"), a company owned by the estranged spouse of the CEO. Under an agreement, dated June 1, 2011, between Granmin Mexico and Pabelini, Pabelini paid all of the Cerro Colorado mine employees and Granmin Mexico administrative personnel and was reimbursed by Granmin Mexico. Pabelini charged a fee equal to 5% of the base salaries of the employees, before additions for statutory remittances. During the year ended December 31, 2014 this fee totaled \$47 (2013 - \$141). This fee was meant to reimburse Pabelini for its office costs and administrative overhead costs incurred in managing the payroll and making all required remittances to the Mexican government in association with salaries of such employees. At December 31, 2014, amounts owing to Pabelini totalled \$12 (2013 - \$77).

In addition to Pabelini, a number of expatriate workers and Caballo Blanco employees were employed until September 30, 2014 by MINOP, S.A. de C.V. ("Minop"). Minop is a private company controlled by the son-in-law of the CEO. Under an agreement, dated October 1, 2011 and expiring September 30, 2014, Minop charged a service fee equal to 1.5% of base salary for employees earning greater than \$100 per year and 3% for employees earning less than \$100 base salary per year. During the year ended December 31, 2014 this fee totaled \$14 (2013 - \$35). This fee was meant to reimburse Minop for administrative costs incurred by the company in providing these services. At December 31, 2013, amounts owing to Minop totalled \$nil (2013 - \$80).

Amounts owing to or from related parties are non-interest bearing, unsecured and due on demand.

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## Notes to Consolidated Financial Statements

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### 23 Cost of sales

	For year ended December 31,	
	2014	2013
Raw materials	\$ 3,649	\$ 15,026
Salaries and benefits	1,014	3,252
Contractors	1	608
Royalties	132	795
Change in inventory	269	1,940
Inventory impairment (note 9)	-	780
Other	(64)	238
	\$ 5,001	\$ 22,639

### 24 Finance cost

	Note	For year ended December 31,	
		2014	2013
Accretion expense – decommissioning obligation	18	\$ -	\$ 122
Accretion expense – promissory note	17	104	27
Interest expense – promissory note	17	120	41
Accretion expense – loan payable	16(i)	172	-
Interest expense – loan payable	16(i)	268	-
Commitment fee – loan payable	16(i)	25	-
Interest expense – loan payable	16(ii)	367	200
Other finance cost	16(ii)	-	246
		\$ 1,056	\$ 636

### 25 Income tax

	For the year ended	
	December 31, 2014	December 31, 2013
Current income tax expense	\$ -	\$ 907
Deferred income tax (recovery) expense	(7,919)	1,874
	\$ (7,919)	\$ 2,781

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**Notes to Consolidated Financial Statements**

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The tax effects of temporary differences between amounts recorded in the Company's accounts and the corresponding amounts as computed for income tax purposes give rise to deferred tax assets (liabilities) as follows:

<b>December 31, 2014</b>	<b>Canada</b>	<b>Mexico</b>	<b>Total</b>
Tax loss carryforwards	\$ -	\$ 212	\$ 212
Exploration and evaluation property and mine property	-	(819)	(819)
Other	-	-	-
Deferred tax liability	\$ -	\$ (607)	\$ (607)

<b>December 31, 2013</b>	<b>Canada</b>	<b>Mexico</b>	<b>Total</b>
Tax loss carryforwards	\$ 132	\$ 160	\$ 292
Exploration and evaluation property and mine property	-	(8,396)	(8,396)
Other	(132)	-	(132)
Deferred tax liability	\$ -	\$ (8,236)	\$ (8,236)

At December 31, 2014, no deferred tax assets are recognized on the following temporary differences or it is not probable that sufficient future taxable profit will be available to realize such assets:

<b>December 31, 2014</b>	<b>Canada</b>	<b>Mexico</b>	<b>Total</b>
Tax loss carryforwards	\$ 4,601	\$ 4,757	\$ 9,358
Investment	2,140	-	2,140
Royalty deduction	-	182	182
Mineral property	-	2,242	2,242
Plant and equipment	142	154	296
Share issuance cost	232	-	232
Other	10	975	985
Unrecognized deferred tax assets	\$ 7,125	\$ 8,310	\$ 15,435

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

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December 31, 2013	Canada	Mexico	Total
Tax loss carryforwards	\$ 4,362	\$ 5,007	\$ 9,369
Royalty deduction	-	1,374	1,374
Mineral property	-	282	282
Plant and equipment	92	160	252
Share issuance cost	435	-	435
Other	116	800	916
Unrecognized deferred tax assets	\$ 5,005	\$ 7,623	\$ 12,628

The Company has non-capital losses of approximately \$33,800 (2013 - \$30,500) to reduce future income tax payable in Canada which expire between the years 2015 and 2034.

In Mexico, the Company has losses of approximately \$16,600 (2013 - \$17,200) to reduce income tax in Mexico which expire between 2018 and 2024.

The provision for income tax differs from the amount calculated using Canadian federal and provincial statutory income tax rate of 26% (2013 – 25.75%) as follows:

	Year ended December 31,	
	2014	2013
Expected income tax recovery	\$ (16,872)	\$ (1,080)
Non-deductible items	6,381	663
Tax rate differences	(1,493)	(629)
Change in tax systems	-	(2,879)
Royalty deductions	(2,781)	3,207
Foreign exchange	3,751	524
Tax assets acquired on acquisition	-	(1,111)
Other	288	(31)
Deferred tax assets not recognized	2,807	4,117
Income tax (recovery) expense	\$ (7,919)	\$ 2,781



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### 26 Segmented disclosure

The Company operates in two geographical and three operating segments. The operating segments are managed separately based on the nature of operations. Mining operations consists of the Cerro Colorado mine, while exploration and development is primarily the Cerro Prieto project.

All of the Company's revenue is generated in Mexico. Other selected financial information by geographical segment is as follows:

	As at December 31, 2014			As at December 31, 2013		
	Canada	Mexico	Total	Canada	Mexico	Total
<b>Assets</b>						
Cash and cash equivalent	6,802	6,057	<b>12,859</b>	882	81	<b>963</b>
Investments	15,841	-	<b>15,841</b>	170	-	<b>170</b>
Accounts receivables and prepaids	131	3,133	<b>3,264</b>	24	6,279	<b>6,303</b>
Inventory	-	925	<b>925</b>	-	2,032	<b>2,032</b>
Property, plant and equipment	-	969	<b>969</b>	4	1,826	<b>1,830</b>
Enterprise Resource	185	-	<b>185</b>	398	-	<b>398</b>
Investment in associate	-	-	-	-	18,056	<b>18,056</b>
Exploration and evaluation properties	-	-	-	-	64,468	<b>64,468</b>
Development properties	-	15,601	<b>15,601</b>	-	12,055	<b>12,055</b>
<b>Liabilities</b>						
Accounts payable and accrued liabilities	(939)	(3,681)	<b>(4,620)</b>	(390)	(2,440)	<b>(2,830)</b>
Tax payable	-	(1,866)	<b>(1,866)</b>	-	(108)	<b>(108)</b>
Loan payable	(4,444)	-	<b>(4,444)</b>	(4,192)	-	<b>(4,192)</b>
Promissory note	(1,503)	-	<b>(1,503)</b>	(1,399)	-	<b>(1,399)</b>
Warrant liability	(704)	-	<b>(704)</b>	(3)	-	<b>(3)</b>
Decommissioning obligation	-	(1,103)	<b>(1,103)</b>	-	(950)	<b>(950)</b>

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Selected financial information by operating segments is as follows:

	As at December 31, 2014				As at December 31, 2013			
	Mining Operation	Exploration & Development	Corporate	Total	Mining Operation	Exploration & Development	Corporate	Total
<b>Assets</b>								
Cash and cash equivalent	-	6,057	6,802	<b>12,859</b>	411	-	552	<b>963</b>
Investments	-	-	15,841	<b>15,841</b>	-	-	170	<b>170</b>
Accounts receivables and prepaids	-	3,133	131	<b>3,264</b>	5,809	470	24	<b>6,303</b>
Inventory	-	925	-	<b>925</b>	2,032	-	-	<b>2,032</b>
Property, plant and equipment	511	458	-	<b>969</b>	1,411	415	4	<b>1,830</b>
Enterprise Resource	-	-	185	<b>185</b>	-	-	398	<b>398</b>
Investment in associate	-	-	-	-	-	18,056	-	<b>18,056</b>
Exploration and evaluation properties	-	-	-	-	-	64,468	-	<b>64,468</b>
Development properties	-	15,601	-	<b>15,601</b>	-	12,055	-	<b>12,055</b>
<b>Total assets</b>	511	26,174	22,959	<b>49,644</b>	9,663	95,464	1,148	<b>106,275</b>
Revenue	5,200	-	-	<b>5,200</b>	25,579	-	-	<b>25,579</b>
(Loss) profit before tax	(240)	(64,169)	(485)	<b>(64,894)</b>	1,283	(559)	(4,919)	<b>(4,195)</b>

## 27 Commitment

- In December 2013, the Company entered into a new office lease agreement whereby the Company has minimum lease payment of \$50 per year for the period February 1, 2014 to July 31, 2016.
- As part of ongoing surface rights land negotiations with local property owners, the Company's subsidiary has entered into surface land purchase agreements whereby it has agreed to pay a fee by October 25, 2013 and October 25, 2016 for specific surface rights. In October 2013 the Company's subsidiary and the local property owners agreed to defer the surface land rights payments, originally due on October 25, 2013, by six months each and up to another six months in the event that the Company has not commenced construction on the Caballo Blanco project. Ongoing discussions are in hand to modify the agreement to reduce the overall payment.
- In 2011, the Company acquired the Caballo Blanco project held previously by Almaden Minerals Ltd. ("Almaden"). As part of the consideration, the company may have to issue up to an additional 7.0 million common shares of the Company upon achievement of certain project milestones. Subsequent to the sale of Caballo Blanco to Timmins Gold in the current year (see note 13), the terms of these contingent shares remained unchanged.

## 28 Capital management

The capital of the Company consists of items included in shareholder's equity. The Company's objectives for capital management are to safeguard its ability to support the Company's normal operating requirement on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

The Company manages its capital structure and makes adjustments in light of changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the entity's capital requirements, the Company has in place a planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its

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operating and growth objectives. As at December 31, 2014, the Company expects its capital resources will support its normal operating requirements, planned development and exploration of its mineral properties for the next twelve months. There are no externally imposed capital requirements to which the Company has not complied.

## 29 Supplemental cash flow information

	Year ended December 31,	
	2014	2013 (restated – note 2)
Depreciation capitalized to exploration and evaluation properties (note 13)	\$ 73	\$ 196
Depreciation capitalized to development properties (note 14)	341	-
Issuance of shares for exploration and evaluation property (note 17(i))	210	757
Contingent share consideration for exploration and evaluation property	-	2,267
Shares received for sale of Caballo Blanco, gross (note 13)	13,540	-
Other comprehensive income related to investment revaluation	2,245	-
Investment shares issued as transaction costs (note 13)	114	-
Transaction costs associated with sale of Caballo Blanco in accounts payable and accrued liabilities (note 13)	154	-
Warrants issued for loan payable (note 16(i))	1,082	-
Development expenditure accrued	2,460	-
Decommissioning obligation capitalized (note 13)	153	-

## 30 Subsequent events

- During January 2015, the Company paid \$1,554 (22,640 Mexican Pesos) of IVA payable.
- During February 2015, the Company made a voluntary principal repayment to the Facility of \$3,000.
- During February 2015, the Company granted 4.66 million stock options to employees and consultants of the Company and cancelled 550 stock options previously granted to an employee.