



Goldgroup Mining Inc.

Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2015 and 2014
(Unaudited)
(expressed in thousands of US dollars, except where indicated)

Goldgroup Mining Inc.

Condensed Interim Consolidated Statements of Financial Position

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

	Note	June 30, 2015	December 31, 2014
Assets			
Current assets			
Cash and cash equivalents	5	\$ 768	\$ 12,859
Other receivables and prepaid expenses	4,5	1,750	625
Inventory		1,127	925
Restricted cash	5	630	-
		\$ 4,275	\$ 14,409
Investments	5,6	8,742	15,841
Receivables	4,5	1,180	2,639
Loans receivable	7	1,679	-
Property, plant and equipment	8	1,441	969
Enterprise Resource Software	9	78	185
Development property	11	16,175	15,601
Total assets		\$ 33,570	\$ 49,644
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5,12	\$ 3,447	\$ 4,620
Tax payable		273	1,866
Promissory note	5,14	1,006	1,503
		4,726	7,989
Loan payable	5,13	2,605	4,444
Deferred income tax liabilities		607	607
Warrant liability	5,15	273	704
Decommissioning obligation		1,114	1,103
Total liabilities		9,325	14,847
Shareholders' equity			
Share capital	16	129,999	129,999
Contingent share consideration	16	5,572	5,572
Reserves		7,151	8,951
Deficit		(118,477)	(109,725)
Total shareholders' equity		24,245	34,797
Total liabilities and shareholders' equity		\$ 33,570	\$ 49,644

Nature of operations and going concern (note 1)

Commitments (note 21)

Subsequent events (note 24)

Approved by the Board of Directors

"Keith Piggott" Director

"Corry Silbernagel" Director

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

Goldgroup Mining Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2015	2014	2015	2014
Revenue					
Gold sales		\$ -	\$ 1,900	\$ -	\$ 4,473
Silver sales			30	-	55
			1,930	-	4,528
Cost of operation					
Cost of sales	18	\$ -	\$ (1,784)	\$ -	\$ (4,009)
Depreciation and depletion	8	-	(117)	-	(244)
			29	-	275
Other (expenses) income					
Depreciation	8,9	(68)	(55)	(139)	(104)
Share-based compensation	16	(54)	(10)	(153)	(23)
General and administrative		(266)	(175)	(524)	(358)
Salary and consulting		(362)	(192)	(555)	(413)
Professional fees		(204)	(91)	(582)	(449)
Investment in associate – equity loss		-	(9)	-	(16)
Exploration expense		(23)	(3)	(39)	(10)
Finance income		-	24	-	27
Impairment of available for sales investments	6	(4,340)	-	(4,340)	-
Loss on disposal of available for sale investments	6	(144)	-	(144)	-
Finance cost	19	(719)	(183)	(2,064)	(381)
Gain on settlement of accounts payable		37	-	37	-
Gain from disposal of property, plant and equipment		10	98	40	96
Unrealized derivative gain – warrant liability	15	113	(36)	431	(34)
Foreign exchange (loss) gain		(85)	(187)	(299)	(49)
Other expense		43	(19)	19	(96)
Loss before income taxes		(6,062)	(809)	(8,312)	(1,535)
Income taxes expense – current		(98)	47	(148)	(84)
Income taxes expense – future		-	(150)	(292)	(150)
Net loss		(6,160)	(912)	(8,752)	(1,769)
Other comprehensive (loss) income (“OCI”)					
Unrealized gain (loss) on available for sale investments	6	(1,970)	(94)	(6,437)	(3)
Reclassification of loss on disposal included in net loss	6	144	-	144	-
Reclassification of impairment losses included in net loss	6	4,340	-	4,340	-
Net loss and comprehensive loss		(3,646)	(1,006)	(10,705)	(1,772)
Loss per share					
Basic and diluted		\$ (0.04)	\$ (0.01)	\$ (0.06)	\$ (0.01)
Weighted average shares outstanding (000’s)					
Basic and diluted		145,095	136,436	145,095	136,436
Total shares issued and outstanding (000’s)		145,095	136,436	145,095	136,436

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

Goldgroup Mining Inc.

Condensed Interim Consolidated Statements of Cash Flows

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

	Notes	Three months ended June 30,		Six months ended June 30,	
		2015	2014	2015	2014
Cash used from operating activities					
Net loss for the period		\$ (6,160)	\$ (912)	\$ (8,752)	\$ (1,769)
Items not affecting cash					
Depreciation	8	68	172	139	348
Deferred tax expense		-	150	292	150
Share-based compensation charges	16	54	10	153	23
Unrealized foreign exchange gain		11	124	10	(32)
Finance cost		888	32	2,064	48
Unrealized derivative gain – warrant liability		(113)	36	(431)	34
Gain on settlement of Accounts Payable		(37)	-	(37)	-
Impairment of available for sales investments		4,340	-	4,340	-
Loss on disposal of available for sale investments		144	-	144	-
Gain from disposal of PP&E		(10)	(96)	(40)	(96)
Other		-	-	-	17
Change in non-cash operating working capital					
Decrease in accounts receivable and prepaid expenses		63	1,701	334	1,530
(Decrease) increase in inventory		(202)	28	(202)	447
Decrease in tax payable		(1,593)	-	(1,593)	-
Increase (decrease) increase in accounts payable and accrued		651	(1,345)	(2,262)	(338)
		(1,896)	(100)	(5,841)	362
Cash flows from financing activities					
Repayment of principle of promissory note	5	-	-	(500)	-
Repayment of interest on promissory note	9	(13)	-	(79)	-
Repayment of loan payable	13	(77)	(1,481)	(3,077)	(1,481)
Repayment of interest and commitment fee on loan payable	13	(188)	-	(332)	-
		(278)	(1,481)	(3,988)	(1,481)
Cash flows used in investing activities					
Proceeds from disposal of equipment		11	-	44	-
Purchase of property, plant and equipment	8	(219)	-	(343)	-
Proceeds on sale of available for sale investments	6	269	-	269	-
Increase in loans receivable	7	(2,101)	-	(2,101)	-
Investment in Dyna Mexico		-	-	-	(111)
Developing and operating on mining operation		(1,585)	-	(3,564)	-
Recovery from pre-production sales	11	2,018	605	4,063	1,015
Exploration and evaluation property		-	(45)	-	(210)
Increase (decrease) in restricted cash		286	-	(630)	-
		(1,321)	560	(2,262)	694
Decrease in cash and cash equivalents					
		(3,495)	(1,021)	(12,091)	(425)
Cash and cash equivalents – beginning of period					
		4,263	1,559	12,859	963
Cash and cash equivalents – end of period					
		768	538	768	538
Cash		\$ 768	\$ 517	\$ 768	\$ 538
Cash equivalents		-	21	-	-
Cash and cash equivalents – end of period					
		\$ 768	\$ 538	\$ 768	\$ 538

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

Goldgroup Mining Inc.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity and Deficit

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

	Notes	Shares ('000)	Share capital	Contingent shares (Note 21(d))	Share based compensation reserves	Foreign currency translation reserves	Investment revaluation reserves	Deficit	Total equity
January 1, 2015		145,095	\$ 129,999	\$ 5,572	\$ 7,353	\$ (355)	\$ 1,953	\$ (109,725)	\$ 34,797
Net loss for the period		-	-	-	-	-	-	(8,752)	(8,752)
Unrealized loss on investments		-	-	-	-	-	(6,437)	-	(6,437)
Impairment of investments	6	-	-	-	-	-	4,340	-	4,340
Loss on disposal of investments	6	-	-	-	-	-	144	-	144
Share-based compensation charges	16	-	-	-	153	-	-	-	153
Balance at June 30, 2015		145,095	\$ 129,999	\$ 5,572	\$ 7,506	\$ (355)	\$ -	\$ (118,477)	\$ 24,245
January 1, 2014		136,437	\$ 128,768	\$ 5,572	\$ 7,322	\$ (355)	\$ -	\$ (52,750)	\$ 88,557
Net loss for the period		-	-	-	-	-	-	(1,769)	(1,769)
Unrealized loss on investments		-	-	-	-	-	3	-	3
Share-based compensation charges	16	-	-	-	23	-	-	-	23
Balance at June 30, 2014 (Note 2)		136,437	\$ 128,768	\$ 5,572	\$ 7,345	\$ (355)	\$ 3	\$ (54,519)	\$ 86,814

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

Goldgroup Mining Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the period ended June 30, 2015 and 2014

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

1 Nature of operations and Going Concern

Nature of operations

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 \$118,477 at June 30, 2015 (December 31, 2014 – \$109,725). In addition, as at June 30, 2015, the Company has working capital deficit of \$451 (December 31, 2014 - \$6,420). 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 10). 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 unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted and these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2014.

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its unaudited interim condensed 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. The critical judgments and estimates applied in the preparation of the Company's unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended December 31, 2014. In addition the accounting policies applied in these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2014.

The Company's interim results are not necessarily indicative of its results for a full year.

These unaudited condensed consolidated financial statements were approved for issue by the Board of Directors on August 12, 2015.

Goldgroup Mining Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the period ended June 30, 2015 and 2014

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

Restatement of prior period

As at December 31, 2014, the Company 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 10) 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 is an increase of \$900 to contingent shares as at January 1, 2014.

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

Future changes in accounting policies not yet adopted

IFRS 9 – Financial Instruments (“IFRS 9”)

In July 2014, the IASB issued the final version of IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The amended standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)

In May 2014, IASB issued IFRS 15 to replace IAS 18 – Revenue, which establishes a new single five-step control-based revenue recognition model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. In May 2015, the IASB proposed to defer the effective date to January 1, 2018.

IAS 16 – Property, Plant and Equipment (“IAS 16”) and IAS 38 – Intangibles (“IAS 38”)

IAS 16 and IAS 38 were issued in May 2014 and prohibit the use of revenue-based depreciation methods for property, plant and equipment and limit the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016 and are to be applied prospectively.

The Company has not yet completed the process of assessing the impact that IFRS 9, IFRS 15, IAS 16 and IAS 38 will have on its consolidated financial statements, or whether to early adopt these new requirements.

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:

Goldgroup Mining Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the period ended June 30, 2015 and 2014

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

(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.

(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.

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Notes to Condensed Consolidated Interim Financial Statements

For the period ended June 30, 2015 and 2014

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

(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.

(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.

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Notes to Condensed Consolidated Interim Financial Statements

For the period ended June 30, 2015 and 2014

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(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.

(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 Other receivables and prepaid expenses

		June 30, 2015	December 31, 2014
Current asset			
Financial assets			
Other receivables	\$	494	\$ 57
Non-Financial assets			
Value-added tax receivables		1,141	-
Corporate tax receivables		2	412
Total receivables		1,637	469
Prepaid expenses		113	156
		\$ 1,750	\$ 625
Non-current assets			
Non-Financial assets			
Value-added tax receivables	\$	286	\$ 1,248
Corporate tax receivables		894	1,391
		\$ 1,180	\$ 2,639

Goldgroup Mining Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the period ended June 30, 2015 and 2014

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5 Financial instruments

Fair values of financial instruments

The accounting classification and of each category of financial instruments, and the level within the fair value hierarchy in which they have been classified are set out below:

	Fair Value Hierarchy Level	June 30, 2015	December 31, 2014
Financial assets			
<i>Loans and receivables</i>			
Cash and cash equivalents ⁽¹⁾	N/A	768	12,859
Restricted cash ⁽¹⁾⁽²⁾	N/A	630	-
Receivables ⁽¹⁾	N/A	494	57
Loans receivable ⁽⁴⁾	N/A	1,679	-
<i>Available-for-sale</i>			
Investments	Level 1	8,742	15,841
Financial liabilities			
<i>Other financial liabilities</i>			
Accounts payable & accrued liabilities ⁽¹⁾	N/A	3,447	4,620
Promissory note ⁽⁴⁾	N/A	1,006	1,503
Loan payable ⁽⁴⁾	N/A	2,605	4,444
<i>Derivative</i>			
Warrant liability ⁽³⁾	Level 3	273	704

(1) The carrying value of cash and cash equivalents, restricted cash, receivables, accounts payable and accrued liabilities, promissory note and loan payable approximates fair value due to the short-term nature of these items.

(2) Restricted cash is held in a separate guaranteed investment certificate as collateral for a letter of credit entered into to purchase equipment during the period.

(3) The Company applies a standard Black-Scholes model to value the warrant liability as described in Note 15.

(4) Loans receivable, loans payable and promissory note are presented on an amortized cost basis and will be accreted to its face amount over the term to maturity of the loan at an effective interest rate.

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, restricted cash and loans receivable. The majority of the Company's cash and cash equivalents and restricted cash are held through large Canadian financial institutions. Loans receivable are primarily secured by the borrower's property.

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 22. The accounts payable and income taxes payable are due within the current operating period.

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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 June 30, 2015 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
Financial assets				
Cash and cash equivalent	\$ 227	\$ 381	\$ 160	\$ 768
Restricted cash	-	630	-	630
Receivables - other	6	-	488	494
Loans receivable	1,679	-	-	1,679
Investments	8,742	-	-	8,742
	10,654	1,011	648	12,313
Financial liabilities				
Accounts payables and accrued liabilities	(391)	(630)	(2,426)	(3,447)
Loan payable	-	(2,605)	-	(2,605)
Promissory note	-	(1,006)	-	(1,006)
Net financial (liabilities) assets	\$ 10,263	\$ (3,230)	\$ (1,778)	\$ 5,255

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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
Financial assets				
Cash and cash equivalent	\$ 78	\$ 12,770	\$ 11	\$ 12,859
Receivables - other	40	-	3,224	3,264
Investments	15,841	-	-	15,841
	15,959	12,770	3,235	31,964
Financial liabilities				
Accounts payables and accrued liabilities	919	-	3,701	4,620
Loan payable	-	4,444	-	4,444
Promissory note	-	1,503	-	1,503
Net financial (liabilities) assets	\$ 15,040	\$ 6,823	\$ (622)	\$ 21,397

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 June 30, 2015, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial assets by approximately \$1,026 (December 31, 2014 - \$1,510). 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 decreased net financial asset by approximately \$177 (December 31, 2014 - \$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. These amounts represent the future undiscounted principal and interest contractual cash flows and therefore do not equate to the carrying values shown in the statement of financial position.

June 30, 2015	Current – within 1 year	Non- current – 1 to 3 years
Accounts payables and accrued liabilities	\$ 3,447	\$ -
Loan payable	-	4,473
Tax payable	273	-
Promissory note	1,017	-
	4,737	4,473
December 31, 2014	Current – within 1 year	Non- current – 1 to 3 years
Accounts payables and accrued liabilities	\$ 4,620	\$ -
Loan payable	-	8,532
Tax payable	1,866	-
Promissory note	1,695	-
	8,181	8,532

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6 Investments

	January 1, 2015 Fair value	Disposed	OCI (before tax)	June 30, 2015 Fair value
Oroco common shares	\$ 182	\$ -	\$ (81)	\$ 101
Oroco share purchase warrants	6	-	(6)	-
Timmins Gold common shares	15,653	(368)	(6,644)	8,641
	\$ 15,841	\$ (368)	\$ (6,731)	\$ 8,742

	January 1, 2014 Fair value	Acquired	OCI (before tax)	December 31, 2014 Fair value
Oroco common shares	\$ 164	\$ - -	\$ 18	\$ 182
Oroco share purchase warrants	6	-	-	6
Timmins Gold common shares	-	13,426	2,227	15,653
	\$ 170	\$ 13,426	\$ 2,245	\$ 15,841

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 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

Although the Company may become entitled to the contingent payments, the value of these payments has not been recognized in the statement of financial position as at June 30, 2015 and December 31, 2014 due to the level of uncertainty surrounding the conditions required for the payments.

The Company came 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 close. As part of this agreement the Company was required to maintain cash on hand of more or equal to the amount of the Facility outstanding, until the escrowed shares are released to the Company. The terms and conditions of the existing credit agreement are otherwise unchanged (see note 13).

On April 27, 2015, 15,929,200 shares were released from escrow by Timmins. Of these shares, 9,503,200 are now held by RMB who released the cash collateral requirement and 6,426,000 were held by the Company. Subsequent to June 30, 2015, the fair value of the 9,503,200 Timmins Shares held by RMB were lower than the debenture outstanding, resulting in not meeting the underlying RMB loan conditions. No notice of default has been received and the terms of the loan are currently being renegotiated.

During the six months ended June 30, 2015 the Company sold 440,000 Timmins Gold shares for total proceeds of \$269. The amount of OCI recognized as a loss was \$144. The Company also transferred 160,604 Timmins Gold shares to a director in settlement of fees pursuant to transaction terms.

As at June 30, 2015 the Company impaired the Oroco and Timmins Gold commons shares and warrants as a result of the decline in fair values and \$4,340 of OCI was recognized as an impairment loss.

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7 Loans receivable

		June 30, 2015	December 31, 2014
Loans Receivable			
Monarch Gold Corp. ⁽ⁱ⁾	\$	2,023	\$ -
Discount of Monarch Loan ⁽ⁱ⁾		(412)	-
0990718 BC Ltd. ⁽ⁱⁱ⁾		68	-
	\$	1,679	\$ -

(i) Monarch Gold Corp. (“Monarch”) a letter of intent (“LOI”)

On June 17, 2015, the Company signed an LOI with Monarch, a privately held mining company with mining concessions in Canada.

Pursuant to the terms of the LOI, the Company shall invest CAD\$100 in Monarch in order to acquire 50% of Monarch’s issued and outstanding common shares. The LOI also contemplates that the Company will advance another CAD\$1,400 to Monarch on substantially the same terms as the Secured Loan, subject to the completion of the Company’s ongoing due diligence and other conditions precedent.

Concurrently with the execution of the LOI and pursuant to the terms of the Credit Agreement, the Company advanced a non-interest bearing secured loan (the “Secured Loan”) of \$2,033 (CAD\$2,500) to Monarch to fund an equipment purchase and the acquisition of mining concessions. The Secured Loan will be repaid with 80% of the excess cash of Monarch, which is defined as all cash and cash equivalents less operating costs, with any remaining principle balance due in full on July 17, 2017. The fair value of the loan using a discount rate of 17% over the term of the loan was \$1,611 resulting in a discount of \$412.

(ii) 0990718 BC Ltd.

On June 10, 2015, the Company signed an LOI with 0990718 BC Ltd., which is a privately held mining company which holds a right to acquire an 80% interest in the El Mozo Project located in Ecuador. Upon execution of this LOI, the Company provided 0990718 BC Ltd. with an interest-free loan of \$68 for the sole purpose of fulfilling the option and maintenance payment of the El Mozo Option Agreement. Subsequent to June 30, 2015, the Company acquired 0990718 BC Ltd. (note 24).

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8 Property and equipment

	Cost December 31, 2013	Additions	Disposals	December 31, 2014	Additions	Disposals	June 30, 2015
Plant and mining equipment	\$ 9,129	\$ -	\$ (137)	\$ 8,992	\$ 973	\$ -	\$ 9,965
Machinery	1,471	-	-	1,471	-	-	1,471
Office and furniture	259	-	(8)	251	-	-	251
Vehicles	905	-	-	905	-	(84)	821
Lab equipment	72	-	-	72	-	-	72
	\$ 11,836	\$ -	\$ (145)	\$ 11,691	\$ 973	\$ (84)	\$ 12,580
	Acc. Dep. December 31, 2013	Depreciation	Disposals	December 31, 2014	Depreciation	Disposals	June 30, 2015
Plant and mining equipment	\$ 7,648	\$ 727	\$ (137)	\$ 8,238	\$ 439	\$ -	\$ 8,677
Machinery	1,268	57	-	1,325	29	-	1,354
Office and furniture	223	11	(6)	228	5	-	233
Vehicles	806	60	-	866	23	(80)	809
Lab equipment	61	4	-	65	1	-	66
	\$ 10,006	\$ 859	\$ (143)	\$ 10,722	\$ 497	\$ (80)	\$ 11,139

Depreciation on plant and equipment for the six month period ended June 30, 2015 is \$497 (2014 - \$431) of which \$nil (2014 - \$244) is recorded as a cost of operation, \$32 (2014 - \$nil) is recorded as depreciation expense, \$465 (2014 - \$146) is capitalized to the Cerro Prieto property (note 9), and \$nil (2014 - \$41) is capitalized to exploration and evaluation properties.

Carrying amount	June 30, 2015	December 31, 2014
Plant and mining equipment	\$ 1,288	\$ 754
Machinery	117	146
Office and furniture	18	23
Vehicles	12	39
Lab equipment	6	7
	\$ 1,441	\$ 969

9 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 June 30, 2015 was \$587 (December 31, 2014 - \$480). The net book value as of June 30, 2015 was \$78 (December 31, 2014 - \$185) and depreciation for the six month period ended June 30, 2015 was \$107 (2014 - \$104).

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10 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.

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, the Company impaired the remaining balance of the investment to \$nil, which was management’s estimate of the fair value of the Company’s interest in the private entity taking into account the lack of control of the investment, as management had not received a response to requests for the records, and the uncertainty of the ongoing legal disputes.

On June 29, 2015 a Mazatlán Judge denied DynaMex the request for an “amparo”, which is, by Mexican Law, an appeal to the injunction obtained by Goldgroup against DynaMex regarding the 300 new shares of DynaMex issued in favor of DynaUSA. The issuance of the DynaMex shares to DynaUSA diluted Goldgroup’s ownership interest (from 50% to 20%) in DynaMex with DynaUSA purporting to be an owner of 80% of DynaMex.

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11 Development property

Carrying amount	Cerro Prieto
Balance, December 31, 2013	\$ 12,055
Depreciation capitalized	341
Mine operations	6,806
Plant and lab	188
Engineering	148
Leach pad	364
Geology	300
Roads	-
Crusher	1,632
Other	232
Royalties	153
Restoration	153
Gold Sales (pre-production)	(6,771)
Balance, December 31, 2014	\$ 15,601
Depreciation capitalized	465
Mine operations	2,536
Plant and lab	705
Engineering	351
Leach pad	36
Geology	40
Crusher	370
Royalties	82
Restoration	11
Other	41
Gold Sales (pre-production)	(4,063)
Balance, June 30, 2015	\$ 16,175

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 Minera Polimetalicos Mexicanos S.A., thereby indirectly acquiring Minas de Oroco Resources SA de CV (“MOR”). MOR owns a 100% interest in the Cerro Prieto Project located in Sonora,

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Mexico, and is engaged in the exploration and development of that mineral property interest. The project has an existing 2% net smelter return royalty.

12 Accounts payable and accrued liabilities

	June 30, 2015	December 31, 2014
Financial liabilities		
Trade payables and accrued liabilities	\$ 3,276	\$ 4,480
Oroco IVA payable (see note 14)	171	140
	\$ 3,447	\$ 4,620

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

13 Loan payable

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 principle of Credipresto.

The Facility is available for drawdown through December 18, 2016, the total amount drawn down as at June 30, 2015 is \$3,392 (December 31, 2014 - \$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. The loan is secured by the Timmins Gold Shares held by the Company (see note 6).

In connection with the Facility, the Company has incurred transaction costs of \$2,223, which included 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.

	June 30, 2015	December 31, 2014
Balance, January 1, 2015	\$ 4,444	-
Loan drawdown	-	7,000
Transaction cost	-	(2,223)
Finance cost – accretion expense of Facility (see note 19)	239	172
Finance cost – pro-rata write-off of transaction costs due to repayment (see note 19)	999	-
Finance cost – commitment fees of Facility (see note 19)	30	25
Repayments – principal	(3,077)	(530)
Repayments – interest expense and commitment fees	(332)	(268)
Interest expense (see note 19)	302	268
	\$ 2,605	4,444

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14 Promissory note

Pursuant to the Oroco Agreement, 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. 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.

On June 2, 2015 the Company amended the payment terms for the 1,000 balance of principal remaining owing from the First Loan. The Company has issued to Oroco two promissory notes in replacement of the First Loan. The first note, in the principal amount of \$250, is payable on demand. The second, in the principal amount of \$750, is payable on or before September 15, 2015. Both new promissory notes bear 8% annual interest, payable monthly in arrears.

The undiscounted amount of estimated cash flows required to settle the promissory note payable are estimated to be \$1,020, including interest of \$20.

	June 30, 2015	December 31, 2014
Balance, beginning of period	\$ 1,503	\$ 1,399
Repayment	(500)	-
Interest expense (see note 19)	46	120
Interest paid	(79)	(120)
Accretion expense (see note 19)	36	104
	\$ 1,006	\$ 1,503

On September 19, 2014, the Company closed an agreement ("IVA Agreement") with Oroco whereby Oroco assigned to Gold group its rights to refunds stemming from certain IVA paid by Minas de Oro 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 2014. 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 June 30, 2015 the amount owing Oroco related to the Second Split is \$171 (December 31, 2014 - \$140) and is included in accounts payable and accrued liabilities (note 12).

15 Warrant liability

	Number of warrants	Weighted average exercise price (C\$)	Warrant liability (US\$)
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
Change in fair value	-	-	431
Balance, June 30, 2015	17,729,011	\$ 0.34	\$ 273

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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, June 30, 2015		17,729,011	0.34

- i) In connection with the loan payable indicated in Note 13, 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 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 June 30, 2015 was \$273 (December 31, 2014 - \$704) 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 recognized in the statement of loss and comprehensive loss for the six months ended June 30, 2015 is \$431 (2014 – loss of \$34).

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.

	June 30, 2015	June 30, 2014
Expected option life	2.3 years	1.4 years
Expected stock price volatility	88%	108%
Dividend payment during life of option	Nil	Nil
Expected forfeiture rate	Nil	Nil
Risk free interest rate	0.64%	1.03%
Weighted average strike price	\$ 0.22	\$ 1.25
Weighted average fair value per warrant	\$ 0.03	\$ 0.03
Weighted average share price	\$ 0.10	\$ 0.23

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16 Share Capital

(i) Share Capital

The Company's authorized share capital consists of an unlimited number of common shares without par value.

(ii) 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 June 30, 2015, share options available for issue under the plan were 5,899,460 (December 31, 2014 – 8,374,600).

Total share options granted during the six months ended June 30, 2015 were 4,660,000 (2014 – nil). Total share-based compensation expense recognized for the fair value of share options granted and vested during the six months ended June 30, 2015 was \$153 (2014 - \$23). The fair value of the share options granted during the six months ended June 30, 2015 and 2014 was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	June 30, 2015	June 30, 2014
Expected option life	2.5 years	-
Expected stock price volatility	88.53%	-
Dividend payment during life of option	Nil	-
Expected forfeiture rate	Nil	-
Risk free interest rate	0.48%	-
Weighted average strike price	\$ 0.15	-
Weighted average fair value per option	\$ 0.07	-
Weighted average share price	\$ 0.14	-

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	June 30, 2015		December 31, 2014	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding - beginning of year	6,135,000	\$ 0.68	8,748,858	\$ 0.70
Granted	4,660,000	0.15	-	-
Forfeited	-	-	-	-
Expired	(2,175,000)	0.79	(2,613,858)	0.77
Outstanding - end of period	8,620,000	\$ 0.36	6,135,000	\$ 0.68

The following table discloses the number of options and vested options outstanding as at June 30, 2015:

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	7,120,000	4.12	\$ 0.14	3,775,000	3.67	\$ 0.14
\$1.16 to \$1.60	1,500,000	0.98	1.40	1,500,000	0.98	1.40
Outstanding - end of period	8,620,000	3.57	\$ 0.36	5,275,000	2.91	\$ 0.50

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 period	6,135,000	2.56	\$ 0.68	5,408,750	2.38	\$ 0.75

17 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 six months ended June 30, are as follows:

	2015	2014
Short-term employee benefits	\$ 100	\$ 264
Director's fees	53	66
Share-based compensation	133	19
Legal fees	54	33
Consulting fees	24	-

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Short-term employee benefits include salaries incurred within the last six months of the statement of financial position date and other annual employee benefits. They are included in cost of sales, administrative expenses and exploration and evaluation properties.

At June 30, 2015, trade and other accounts payable includes \$14 (December 31, 2014 - \$324) owing to a director and/or officer and/or companies controlled by the directors.

During the three and six month period ended June 30, 2015 the Company paid legal fees totalling \$35 (2014 - \$17) and \$54 (2014 - \$33) and consulting fees totalling \$12 (2014 - \$nil) and \$24 (2014 - \$nil) to companies controlled by directors of the Company, respectively.

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 three and six months ended June 30, 2015 this fee totaled \$nil (2014 - \$32) and \$nil(2014 - \$47) respectively. 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 June 30, 2015, amounts owing to Pabelini totalled \$12 (December 31, 2014 - \$14).

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 three and six month periods ended June 30, 2015 this fee totaled \$nil (2014 - \$7) and \$nil (2014 - \$13). This fee was meant to reimburse Minop for administrative costs incurred by the company in providing these services.

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

18 Cost of sales

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Raw materials	\$ -	\$ 1,239	\$ -	\$ 2,520
Salaries and benefits	-	276	-	666
Contractors	-	74	-	196
Royalties	-	70	-	153
Change in inventory	-	21	-	236
Other	-	104	-	238
	\$ -	\$ 1,784	\$ -	\$ 4,009

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19 Finance cost

		Three months ended June 30,		Six months ended June 30,	
	Note	2015	2014	2015	2014
Accretion expense – promissory note	14	\$ -	\$ 25	\$ 36	\$ 48
Interest expense – promissory note	14	20	30	46	60
Accretion expense – loan payable		-	129	-	273
Accretion expense - Facility	13	99	-	1,238	-
Other finance expense – Facility	13	15	-	30	-
Interest expense – Facility	13	173	-	302	-
Discount on issuance of Monarch Loan	7	412		412	
Other finance cost		-	(1)	-	-
		\$ 719	\$ 183	\$ 2,064	\$ 381

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20 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, which is no longer operational and 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 June 30, 2015			As at December 31, 2014		
	Canada	Mexico	Total	Canada	Mexico	Total
Assets						
Cash and cash equivalent	608	160	768	6,802	6,057	12,859
Investments	8,742	-	8,742	15,841	-	15,841
Other receivables and prepaids	6	2,924	2,930	131	3,133	3,264
Inventory	-	1,127	1,127	-	925	925
Restricted cash	630	-	630	-	-	-
Property, plant and equipment	-	1,441	1,441	-	969	969
Enterprise Resource	78	-	78	185	-	185
Loans receivable	1,679	-	1,679	-	-	-
Development properties	-	16,175	16,175	-	15,601	15,601
Liabilities						
Accounts payable and accrued liabilities	(391)	(3,056)	(3,447)	(939)	(3,681)	(4,620)
Tax payable	-	(273)	(273)	-	(1,866)	(1,866)
Loan payable	(2,605)	-	(2,605)	(4,444)	-	(4,444)
Promissory note	(1,006)	-	(1,006)	(1,503)	-	(1,503)
Warrant liability	(273)	-	(273)	(704)	-	(704)
Decommissioning obligation	-	(1,114)	(1,114)	-	(1,103)	(1,103)

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Selected financial information by operating segments is as follows:

	As at June 30, 2015				As at December 31, 2014			
	Mining Operation	Exploration & Development	Corporate	Total	Mining Operation	Exploration & Development	Corporate	Total
Assets								
Cash and cash equivalent	-	160	608	768	-	6,057	6,802	12,859
Investments	-	-	8,742	8,742	-	-	15,841	15,841
Accounts receivables and prepaids	-	2,924	6	2,930	-	3,133	131	3,264
Inventory	-	1,127	-	1,127	-	925	-	925
Restricted cash	-	-	630	630	-	-	-	-
Property, plant and equipment	-	1,441	-	1,441	511	458	-	969
Enterprise Resource	-	-	78	78	-	-	185	185
Loans receivable	-	-	1,679	1,679	-	-	-	-
Exploration and evaluation properties	-	-	-	-	-	-	-	-
Development properties	-	16,175	-	16,175	-	15,601	-	15,601
Total assets	-	21,827	11,743	33,570	511	26,174	22,959	49,644

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenue				
Mining operations	-	1,930	-	4,528
Loss before income taxes for the period				
Mining Operations	-	30	-	275
Exploration and evaluation	(29)	40	(39)	26
Corporate	(6,033)	(879)	(8,273)	(1,836)
	\$ (6,062)	\$ (809)	\$ (8,312)	\$ (1,535)

21 Commitment

- a. 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.
- b. 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

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the Caballo Blanco project. Subsequent to the sale of Caballo Blanco to Timmins Gold in 2014, the fees related to the surface right agreement remained unchanged. The Company is proceeding with ongoing discussions to modify the agreement to reduce the overall payment.

- c. 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 fiscal 2014, the terms of these contingent shares remained unchanged.
- d. With respect to acquisition of the Cerro Prieto project in 2013, 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. The Company determined the loan to be payable in common shares with a value of \$2,267 which is included in contingent share consideration on the statement of financial position.

22 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 operating and growth objectives. As at June 30, 2015, the Company expects its capital resources will require additional support for 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.

23 Supplemental cash flow information

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Depreciation capitalized to development properties (note 11)	\$ 269	\$ 99	\$ 465	\$ 189
Development expenditures accrued	3,057	-	3,057	-
Accretion expense capitalized	6	120	11	143

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24 Subsequent events

Acquisition of 0990718 B.C. Ltd.

On July 20, 2015 the Company signed the Definitive Agreement to acquire all of the issued and outstanding shares of 0990718 B.C. Ltd. (the “Vendors”) in exchange for the issuance of an aggregate of 5,500,000 common shares of the Company to the shareholders of 0990718 pursuant to a share exchange agreement with the Vendors (the “Share Exchange Agreement”). In addition to the common shares, the Company granted to the Vendors an aggregate 1% net smelter returns royalty (“NSR”) on Goldgroup’s ownership portion in the El Mozo Project pursuant to a net smelter returns royalty agreement (the “Royalty Agreement”). Under the Royalty Agreement Goldgroup has the right to repurchase the Vendors’ NSR for consideration of:

- \$1,000 paid on or before the date (the “Repurchase Date”) which is the later of January 17, 2017 and the date permits for commercial production on the El Mozo Project are granted; or
- \$1,500 paid on or before the date which is 30 months following the Repurchase Date; or
- \$2,500 paid on or before the date which is 42 months following the Repurchase Date.

The consideration for the NSR royalty repurchase can be paid in cash or in common shares, at the Company’s option.

Option agreement terms

Under the Option Agreement, 0990718 BC Ltd. may earn an 80% interest in the El Mozo Project by fulfilling the following requirements:

Earn in % of El Mozo Project	Obligation
15%	<ul style="list-style-type: none">• Paying the Optionor \$50 on or before June 13, 2016
35%	<ul style="list-style-type: none">• Fulfilled obligation to earn in 15%• Paying the Optionor \$60 on or before June 13, 2017
55%	<ul style="list-style-type: none">• Fulfilled obligation to earn in 35%• Paying the Optionor \$100 on or before June 13, 2018• Incurred at least \$1,000 in exploration expenditures on or before June 6, 2018
80%	<ul style="list-style-type: none">• Fulfilled obligation to earn in 55%• Paying the Optionor \$150 on or before June 12, 2019• Incurred at least \$1,000 (total \$2,000 accumulated) in exploration expenditures on or before June 12, 2019• Issuing \$500 of common shares of Goldgroup to Optionor on or before June 6, 2019.

These earn-in obligations must be fulfilled on or before June 12, 2019. Upon successful earn-in on the El Mozo Project by 0990718, the Optionor has the right to convert its 20% interest in the El Mozo Project into a 2% NSR. If the Optionor converts its interest into a 2% NSR, 0990718 will have the right to purchase 1% of this NSR royalty by paying:

- \$1,000 (if estimated mineral resources are less than 500,000 gold equivalent ounces), or
- \$1,500 (if estimated mineral resources are equal to or greater than 500,000 but less than 1,000,000 gold equivalent ounces), or
- \$2,000 (if estimated mineral resources are equal to or greater than 1,000,000 gold equivalent ounces).