



Goldgroup Mining Inc.

Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2017 and 2016
(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, 2017	December 31, 2016
Assets			
Current assets			
Cash and cash equivalents	5	\$ 500	\$ 897
Other receivables and prepaid expenses	4	707	1,693
Inventory	6	2,403	2,409
		3,610	4,999
Investments	5,7	67	110
Receivables	4	1,692	1,679
Property and equipment	8	3,084	1,831
Exploration and evaluation properties	9	1,941	1,409
Mineral property	11	4,934	5,577
Total assets		\$ 15,328	\$ 15,605
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5	\$ 4,854	\$ 3,624
Tax payable		5	605
Loan payable	5,12	627	571
		5,486	4,800
Warrant liability	5,13	92	182
Deferred tax liability		357	524
Decommissioning obligation		1,933	1,901
Total liabilities		7,868	7,407
Shareholders' equity			
Share capital	14	134,405	134,389
Contingent share consideration	19	3,305	3,305
Reserves		7,729	7,507
Deficit		(137,979)	(137,003)
Total shareholders' equity		7,460	8,198
Total liabilities and shareholders' equity		\$ 15,328	\$ 15,605

Nature of operations and going concern (note 1)

Commitments and contingencies (note 19)

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 Income (Loss)

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2017	2016	2017	2016
Revenue					
Gold sales		\$ 3,936	\$ 4,544	\$ 8,435	\$ 4,544
Silver sales		191	281	397	281
		4,127	4,825	8,832	4,825
Cost of operation					
Cost of sales	16	\$ (3,963)	\$ (3,793)	\$ (7,930)	\$ (3,793)
Depreciation and depletion	8,11	(472)	(251)	(949)	(251)
		(308)	781	(47)	781
Depreciation	8	(3)	(5)	(5)	(10)
Share-based compensation	14	(70)	(28)	(218)	(66)
General and administrative		(301)	(279)	(686)	(552)
Salary and consulting		(280)	(245)	(541)	(425)
Professional fees		(50)	(372)	(123)	(432)
Loss on settlement of debt		-	-	-	(69)
Gain (loss) on disposal of available for sale investments	7	18	343	18	393
Finance cost	17	(56)	(560)	(92)	(856)
Gain on disposition of subsidiaries		-	-	-	91
Unrealized derivative (loss) gain – warrant liability	13	59	(575)	90	(314)
Foreign exchange gain (loss)		(119)	84	203	384
Other income		31	393	68	392
Loss before income taxes		(1,079)	(463)	(1,333)	(683)
Income taxes expense – current		43	(21)	190	(38)
Income taxes expense – future		(70)	-	167	-
Loss for the period		(1,106)	(484)	(976)	(721)
Other comprehensive (loss) income (“OCI”)					
Unrealized gain (loss) on available for sale investments	7	10	1,302	28	2,322
Reclassification of (gain) loss on disposal included in net loss	7	(18)	(343)	(18)	(393)
Net income (loss) and comprehensive income (loss)		(1,114)	475	(966)	1,208
Loss per share – Basic and diluted		\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Weighted average shares outstanding (000’s)					
Basic and diluted		185,137	180,485	185,108	176,642
Total shares issued and outstanding (000’s)		185,137	180,558	185,137	180,558

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Goldgroup Mining Inc.

Condensed Interim Consolidated Statements of Cash Flows

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2017	2016	2017	2016
Cash provided by (used from) operating activities					
Loss for the period		\$ (1,106)	\$ (484)	\$ (976)	\$ (721)
Items not affecting cash					
Depreciation	8	206	84	318	89
Depletion		325	162	692	162
Deferred tax expense		70	-	(167)	-
Share-based compensation charges	14	70	28	218	66
Gain on disposition of subsidiaries		-	-	-	(91)
Loss on settlement of debt		-	-	-	69
Finance cost - Decommissioning obligation		25	7	32	7
Unrealized foreign exchange gain		(1)	(3)	(3)	(224)
Finance cost		28	539	56	829
Unrealized derivative (gain) loss – warrant liability		(59)	575	(90)	314
(Gain) loss on disposal of available for sale investments		(18)	(343)	(18)	(393)
Other		4	5	3	5
Change in non-cash operating working capital					
Decrease (increase) in accounts receivable and prepaid		1,027	(1,603)	973	(1,580)
Decrease (increase) in inventory		(166)	(364)	(7)	(233)
Increase (decrease) in tax payable		243	14	-	47
Increase (decrease) increase in accounts payable and accrued		625	1,024	627	646
		1,273	(359)	1,658	(1,008)
Cash flows from financing activities					
Proceeds from option exercise	14	-	14	10	14
Repayment of loan payable		-	(1,168)	-	(1,168)
Transaction costs on loan payable		-	-	-	(5)
Repayment of interest and commitment fee on loan payable		-	(146)	-	(146)
		-	(1,300)	10	(1,305)
Cash flows used in investing activities					
Purchase of property, plant and equipment	8	(1,223)	(187)	(1,607)	(189)
Proceeds of sale of subsidiaries		-	-	-	65
Proceeds on sale of available for sale investments	7	74	1,324	74	1,510
Increase in loans receivable		-	162	-	198
Developing and operating on mining operation		-	(730)	-	(4,830)
Recovery from pre-production sales		-	1,142	-	5,284
Exploration and evaluation property		(174)	(202)	(532)	(318)
Increase (decrease) in restricted cash		-	-	-	420
		(1,323)	1,509	(2,065)	2,140
Decrease in cash and cash equivalents					
		(50)	(150)	(397)	(173)
Cash and cash equivalents – beginning of period					
		550	199	897	222
Cash and cash equivalents – end of period					
Cash		\$ 474	\$ 49	\$ 474	\$ 49
Cash and cash equivalents		26	-	26	-
Cash and cash equivalents – end of period		\$ 500	\$ 49	\$ 500	\$ 49

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

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Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

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

	Notes	Shares (‘000)	Share capital	Contingent shares (Note 19(b))	Share based compensation reserves	Foreign currency translation reserves	Investment revaluation reserves	Deficit	Total equity
December 31, 2016		184,912	\$ 134,389	\$ 3,305	\$ 7,951	\$ (308)	\$ (136)	\$ (137,003)	\$ 8,198
Loss for the period		-	-	-	-	-	-	(976)	(976)
Unrealized loss on investments	7	-	-	-	-	-	28	-	28
Loss on disposal on investments	7	-	-	-	-	-	(18)	-	(18)
Stock options exercised	14	225	16	-	(6)	-	-	-	10
Share-based compensation		-	-	-	218	-	-	-	218
Balance at June 30, 2017		185,137	\$ 134,405	\$ 3,305	\$ 8,163	\$ (308)	\$ (126)	\$ (137,979)	\$ 7,460
December 31, 2015		167,095	\$ 132,648	\$ 3,305	\$ 7,596	\$ (355)	\$ -	\$ (135,855)	\$ 7,339
Loss for the period		-	-	-	-	-	-	(721)	(721)
Stock options exercised	14	130	14	-	-	-	-	-	14
Unrealized gain on investments		-	-	-	-	-	2,322	-	2,322
Gain on disposal of investments	7	-	-	-	-	-	(393)	-	(393)
Shares issued on facility extension	12	8,642	442	-	-	-	-	-	442
Shares issued on settlement of Oroco loan	19 (d)	4,691	269	-	-	-	-	-	269
Cumulative translation adjustment recognized on sale of subsidiaries		-	-	-	-	47	-	-	47
Share-based compensation	14	-	-	-	66	-	-	-	66
Balance at June 30, 2016		180,558	\$ 133,373	\$ 3,305	\$ 7,662	\$ (308)	\$ 1,929	\$ (136,576)	\$ 9,385

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Goldgroup Mining Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the period ended June 30, 2017 and 2016

(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 1201 – 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, development and operation of advanced stage gold-bearing mineral properties in the Americas. The Company's current gold production and exploration and development related activities are conducted in Mexico and Ecuador. Goldgroup owns the non-operational Cerro Colorado mine in Sonora, along with a property portfolio that includes a 100% interest in the operating Cerro Prieto project in Sonora, which commenced commercial production on April 1, 2016 for accounting purposes. 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 \$137,979 at June 30, 2017 (December 31, 2016 – \$137,003). In addition, as at June 30, 2017, the Company has working capital deficit of \$1,876 (December 31, 2016 – of \$199). 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 classifications used in the statement of financial position.

2 Basis of presentation

These unaudited condensed interim consolidated 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 consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016.

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, 2016. 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, 2016.

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

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on August 14, 2017.

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New Accounting Standards Issued But Not Yet Effective

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, 2018, with early adoption permitted.

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:

(i) Impairment of assets

The carrying value of plant and equipment, 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.

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(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. The Company has determined that it reached commercial production on April 1, 2016 for accounting purposes.

Key sources of Estimation Uncertainty

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

(i) Mineral resource estimation

The carrying value and recoverability of mineral properties requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project. The determination of mineral resources also requires the use of estimates. The Company estimates its mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101, Standards for Disclosure of Mineral Projects. There are numerous uncertainties inherent in estimating mineral resources and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecasted prices of commodities, exchange rates, production costs or recovery rates may change the economic status of resources and may result in changes to resource estimates.

(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 estimated resources. 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 estimated recoverable resources.

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 resources.

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.

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(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

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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, 2017	December 31, 2016
Current asset			
Financial assets			
Other receivables	\$	259	\$ 156
Employee receivables		20	22
Non-Financial assets			
Value-added tax receivables		243	257
Corporate tax receivables		34	59
Total receivables		556	494
Prepaid expenses		151	1,199
	\$	707	\$ 1,693
Non-current assets			
Non-Financial assets			
Value-added tax receivables	\$	986	\$ 1,029
Other receivables		572	413
Corporate tax receivables		134	237
	\$	1,692	\$ 1,679

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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, 2017	December 31, 2016
Financial assets		\$	\$
<i>Loans and receivables</i>			
Cash and cash equivalents ⁽¹⁾	N/A	500	897
Receivables ⁽¹⁾	N/A	259	156
<i>Available-for-sale</i>			
Investments	Level 1	67	110
Financial liabilities			
<i>Other financial liabilities</i>			
Accounts payable & accrued liabilities ⁽¹⁾	N/A	4,854	3,624
Loan payable ⁽³⁾	N/A	627	571
<i>Derivative</i>			
Warrant liability ⁽²⁾	Level 3	92	182

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

(2) The Company applies a standard Black-Scholes model to value the warrant liability as described in Note 13.

(3) Loan payable is 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 and loans receivable. 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 20. 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.

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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.

Commodity Price Risk

The Company is exposed to commodity price risk given that its revenues are derived from the sale of metals, the price of which have been historically volatile.

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, Ecuador 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, 2017 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	\$ 49	\$ 272	\$ 179	\$ 500
Receivables - other	16	229	14	259
Investments	67	-	-	67
	132	501	193	826
Financial liabilities				
Accounts payables and accrued liabilities	(130)	(2,299)	(2,425)	(4,854)
Loan payable	-	(627)	-	(627)
Net financial (liabilities) assets	\$ 2	\$ (2,425)	\$ (2,232)	\$ (4,655)

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The Company's financial assets and liabilities as at December 31, 2016 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	\$ 105	\$ 750	\$ 42	\$ 897
Receivables - other	68	48	40	156
Investments	110	-	-	110
	283	798	82	1,163
Financial liabilities				
Accounts payables and accrued liabilities	(163)	(1,764)	(1,697)	(3,624)
Loan payable	-	(571)	-	(571)
Net financial (liabilities) assets	\$ 120	\$ (1,537)	\$ (1,615)	\$ (3,032)

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, 2017, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial assets by approximately \$nil (December 31, 2016 - \$12). 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 \$223 (December 31, 2016 - \$161) 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.

June 30, 2017	Current – within 1 year	Non- current – 1 to 3 years
Accounts payables and accrued liabilities	\$ 4,854	\$ -
Loan payable	627	-
Tax payable	5	-
	\$ 5,486	\$ -
December 31, 2016	Current – within 1 year	Non- current – 1 to 3 years
Accounts payables and accrued liabilities	\$ 3,624	\$ -
Loan payable	571	-
Tax payable	605	-
	\$ 4,800	\$ -

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6 Inventory

	June 30, 2017	December 31, 2016
Consumable supplies	\$ 789	\$ 646
Work in progress	1,330	1,281
Finished goods	284	483
	\$ 2,403	\$ 2,409

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 and Cerro Prieto mines in Mexico. During the period ended June 30, 2017 \$484 (December 31, 2016 -\$214) impairment was recorded in inventory.

7 Investments

	December 31, 2016 Fair value	Disposed	OCI (before tax)	Foreign exchange	June 30, 2017 Fair value
Oroco common shares	\$ 110	\$ (74)	\$ 28	\$ 3	\$ 67
	\$ 110	\$ (74)	\$ 28	\$ 3	\$ 67
	December 31, 2015 Fair value	Disposed	OCI (before tax)	Foreign exchange	December 31, 2016 Fair value
Oroco common shares	\$ 72	\$ -	\$ 37	\$ 1	\$ 110
Timmins Gold common shares	1,679	(4,694)	2,852	163	-
	\$ 1,751	\$ (4,694)	\$ 2,889	\$ 164	\$ 110

As at June 30, 2017 the Company held 2,500,000 common shares of Oroco Resource Corp. ("Oroco"). During the period ended June 30, 2017, the Company sold 2,500,000 (2016 – nil) Oroco shares for total proceeds of \$74 (2016 - \$nil). The amount of OCI recognized as a gain was \$18 (2016 – nil). During period ended June 30, 2017 the Company sold nil (2016 – 5,254,500) Timmins Gold Corp. shares for total proceeds of \$nil (2016 - \$1,510). The amount of OCI recognized as a loss was \$nil (2016 – gain of \$393).

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8 Property and equipment

	Cost December 31, 2015	Additions	Disposals	December 31, 2016	Additions	June 30, 2017
Plant and mining equipment	\$ 10,329	\$ 482	\$ -	\$ 10,811	\$ 792	\$ 11,603
Machinery	1,174	54	-	1,715	815	2,530
Office and furniture	251	-	-	251	-	251
Vehicles	793	27	(20)	1,000	-	1,000
Lab equipment	72	-	-	72	-	72
	\$ 12,619	\$ 1,250	\$ (20)	\$ 13,849	\$ 1,607	\$ 15,456

	Acc. Dep. December 31, 2015	Depreciation	Disposals	December 31, 2016	Depreciation	June 30, 2017
Plant and mining equipment	\$ 9,578	\$ 122	\$ -	\$ 9,700	\$ 172	\$ 9,872
Machinery	1,130	97	-	1,227	151	1,378
Office and furniture	232	13	-	245	2	247
Vehicles	783	17	(20)	780	29	809
Lab equipment	66	-	-	66	-	66
	\$ 11,789	\$ 249	\$ (20)	\$ 12,018	\$ 354	\$ 12,372

Depreciation on property and equipment for the period ended June 30, 2017 is \$354 (2016 - \$180) of which \$289 (2016 - \$81) is recorded as a cost of the mine, \$5 (2016 - \$10) is recorded as depreciation expense, \$60 (2016 - \$48) is included in inventory and \$nil (2016 - \$41) is capitalized to the Cerro Prieto property.

Carrying amount	June 30, 2017	December 31, 2016
Plant and mining equipment	\$ 1,731	\$ 1,111
Machinery	1,152	488
Office and furniture	4	6
Vehicles	191	220
Lab equipment	6	6
	\$ 3,084	\$ 1,831

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9 Exploration and evaluation assets

El Mozo

During fiscal 2015 the Company signed the Definitive Agreement to acquire all of the issued and outstanding shares of 0990718 B.C. Ltd. (the “Vendors”), a company holding an 80% option interest in the El Mozo project in Ecuador, in exchange for the issuance of an aggregate of 5,500,000 common shares of the Company valued at \$382 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 return royalty (“NSR”) on Goldgroup’s ownership portion in the El Mozo Project pursuant to an NSR 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 permits for commercial production on the El Mozo Project are granted (the “Repurchase Date”); 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 (paid)
35%	<ul style="list-style-type: none">• Fulfilled obligation to earn in 15%• Paying the Optionor \$60 on or before June 13, 2017 (paid)
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 13, 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 13, 2019.

These earn-in obligations must be fulfilled on or before June 13, 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 50% 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).

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	El Mozo Expenditures	Cerro Prieto Regional	Total
Balance December 31, 2015	\$ 698	\$ -	\$ 698
Acquisition costs	50	-	50
Capitalized costs	661	-	661
Balance December 31, 2016	\$ 1,409	\$ -	\$ 1,409
Acquisition costs	60	151	211
Capitalized costs	285	36	321
Balance June 30, 2017	\$ 1,754	\$ 187	\$ 1,941

Cerro Prieto Regional

During the period ended June 30, 2017, the Company entered into an option agreement to purchase an additional exploration property in close proximity to the Cerro Prieto mine. The option payments per the agreement are as follows:

Date	Obligation
Upon signing	• Payment of \$75 (Paid)
March 9, 2017	• Payment of \$38 (Paid)
April 9, 2017	• Payment of \$38 (Paid)
February 9, 2018	• Payment of \$428
August 9, 2018	• Payment of \$428
February 9, 2019	• Payment of \$428
August 9, 2019	• Payment of \$428
February 9, 2020	• Payment of \$428
August 9, 2020	• Payment of \$428
February 9, 2021	• Payment of \$428
August 9, 2021	• Payment of \$428
February 9, 2022	• Payment of \$428

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.

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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.

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.

On October 13, 2015 the Company was made aware of a news release disseminated by DynaResource de Mexico SA de C.V. (“Dyna”). Goldgroup was never notified of the purported court case discussed, does not recognize any of the claims mentioned therein and is of the belief that such claims are without merit. The Company is reviewing its options and intends to exercise all of its legal rights in order to have the purported judgement discussed in the news release disregarded, set aside or otherwise overturned, and further will seek damages for misrepresentation against Dyna and all relevant parties.

During the year ended December 31, 2015, management concluded that due to the ongoing legal disputes the Company no longer has significant influence over DynaMexico and therefore discontinued treating the investment as an investment in associate. There was no impact on the statement of financial position or statement of loss or comprehensive loss as the investment was impaired to \$nil during fiscal 2014.

During the year ended December 31, 2016 the Company received the favorable results and award from the conclusion of the arbitration between the Company and DynaUSA. The results and award were issued by the American Arbitration Association – International Centre for Dispute Resolution (“Arbitrator” or “ICDR”) on August 24, 2016. This Award is final, binding and may be enforced in court.

Results and Award from Arbitration

The Arbitrator concluded that there is no doubt that DynaUSA has failed to do what they are obligated to do under an Earn-In/Option Agreement with Goldgroup, dated September 1, 2006 (the “Agreement”).

The Award, in summary, clarifies several doubts arising from misleading news releases issued by DynaUSA:

The Award confirms that the Agreement is in full force and effect;

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- The expenditures made by DynaUSA without the approval of the joint Management Committee have to be reimbursed to DynaResource Mexico S.A. de C.V. ("DynaMexico"), an entity in which Goldgroup owns 50% equity of, since Goldgroup did not participate in those decisions;
- A detailed accountability assessment by DynaUSA must be done for Goldgroup for the last 5 years when DynaUSA excluded Goldgroup from the management of DynaMexico and delivered to Goldgroup within 20 days of the issuance of the Award;
- The use of the Power of Attorney of Mr. K.D. Diepholz did not provide authorization for Mr. Diepholz to circumvent the Management Committee's power to approve and oversee expenditures;
- DynaUSA has acted in bad faith and breached the terms of the Agreement;
- Certain amounts must be reimbursed to Goldgroup which includes and not limited to the fees paid and to be paid in the Mexico City case related to the current dispute;
- A fifth director must be jointly appointed in DynaMexico and the names of prospective candidates exchanged by the parties, no later than 10 calendar days from the date of the Award ; and
- The deliberate dilution by DynaUSA of Goldgroup's equity interest in DynaMexico was illegal and therefore invalid.

The Company has complied with all requirements set out in the Arbitration award and has yet to receive any payment or required documentation from DynaUSA or Dyna Mexico.

11 Mineral property

Carrying amount	Cerro Prieto
Balance, December 31, 2015	\$ -
Reclassification from development property upon commercial production	6,765
Depletion	(1,188)
Balance, December 31, 2016	\$ 5,577
Depletion	(643)
Balance June 30, 2017	\$ 4,934

12 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 was being funded 80% by RMB and 20% by Credipresto. Javier Reyes, a director of Goldgroup, is a principle of Credipresto. On November 30, 2015 RMB assigned their 80% portion of the Company's outstanding \$10,000 Facility to Credipresto, giving Credipresto 100% ownership of the outstanding Facility. Prior to the closing of the assignment the Company obtained a \$400 bridge loan from Credipresto of which \$250 was repaid. The remaining \$150 was rolled into the Facility subsequent to assignment from RMB.

The total amount drawn down as at June 30, 2017 is \$7,959 (December 31, 2016 - \$7,935) which includes an additional draw totalling \$24 which has been added to the principal during the period ended June 30, 2017 relating to interest and commitment fees rolled into the loan. The amount outstanding as at June 30, 2017 is \$89 (December 31, 2016 \$63).

On March 2, 2016, the Company closed an agreement to amend the terms of the outstanding loan Facility.

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Facility amended terms

- The Facility previously was set to mature on September 18, 2017 and was repayable in the amount of 25% of the outstanding amounts drawn (plus accrued interest) every three months commencing December 18, 2016. The Company extended the repayment period by one year with the Facility now maturing on September 18, 2018 and is payable in the amount of 25% of the outstanding amounts drawn (plus accrued interest) every three months commencing December 18, 2017;
- the Facility is available for drawdown through December 18, 2017; and
- the remaining terms of the Facility are unchanged with outstanding principal amount of the Facility accruing 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, 2017.

As part of the terms of the amendment, Credipresto has also agreed to forfeit 9,000,000 warrants to the Company for cancellation. These warrants were originally issued as a condition for entering into the Facility.

As consideration for the amendment, the Company has agreed to:

- issue 8,642,080 common shares to Credipresto, subject to the statutory hold period; and
- amend the terms of 3,000,000 other outstanding warrants held by Credipresto by (a) decreasing the exercise price from CAD \$0.19 to CAD \$0.10 and (b) delaying the expiration date by a year from March 18, 2018 to March 18, 2019. These warrants are no longer cancelable due to the Company having now drawn more than \$7,500 on the Facility,

In connection with the Facility amendment the Company has incurred transaction costs of \$495, which included \$442 in issued common shares and \$53 in warrants. The transaction costs are amortized and charged to profit or loss over the term of the facility.

	June 30, 2017	December 31, 2016
Balance, January 1	\$ 63	\$ 3,366
Loan drawdown	-	108
Transaction cost	-	(495)
Finance cost – accretion expense of Facility	-	498
Finance cost – pro-rata write-off of transaction costs due to repayment	-	691
Finance cost – standby fees of Facility	6	44
Repayments – principal	-	(2,444)
Proceeds on sale of contingent receivable	-	(1,900)
Repayments – interest expense and standby fees	-	(146)
Interest expense	20	341
	\$ 89	\$ 63

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During the year ended December 31, 2016, the Company obtained a second loan from Credipresto for \$490 with an interest rate of 12%. This loan has the same repayment terms as the original loan.

	June 30, 2017	December 31, 2016
Balance, January 1	\$ 508	\$ -
Loan drawdown	-	490
Interest expense	30	18
	\$ 538	\$ 508

13 Warrant liability

	Number of warrants	Weighted average exercise price	Warrant liability (US\$)
Balance, December 31, 2015	15,729,011	\$ 0.22	\$ 318
Warrants cancelled	(9,000,000)	0.22	-
Warrants repriced	-	-	52
Warrants exercised	(3,569,011)	0.25	(224)
Warrants cancelled	(160,000)	0.25	(13)
Change in fair value	-	-	49
Balance, December 31, 2016	3,000,000	\$ 0.10	\$ 182
Change in fair value	-	-	(90)
Balance, June 30, 2017	3,000,000	\$ 0.10	92

Expiry date	Number of warrants	Weighted Average exercise price (C\$)
March 18, 2019	3,000,000	0.10
Balance, June 30, 2017	3,000,000	\$ 0.10

The fair value allocated to the warrants at June 30, 2017 was \$92 (December 31, 2016 - \$182) 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 period ended June 30, 2017 was \$90 (2016 – loss of \$314).

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.

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	June 30, 2017	June 30, 2016
Expected warrant life	1.72 years	1.41 years
Expected stock price volatility	105%	112%
Dividend payment during life of warrant	Nil	Nil
Expected forfeiture rate	Nil	Nil
Risk free interest rate	0.69%	0.63%
Weighted average strike price CAD	\$ 0.10	\$ 0.18
Weighted average fair value per warrant CAD	\$ 0.04	\$ 0.13
Weighted average share price CAD	\$ 0.09	\$ 0.28

14 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, 2017, the remaining share options available for issue under the plan were 2,238,669 (December 31, 2016 – 1,951,168).

Total share options granted during the period ended June 30, 2017 were nil (2016 – nil). Total share-based compensation expense recognized for the fair value of share options granted and vested during the period ended June 30, 2017 was \$218 (2016 - \$66).

	June 30, 2017		December 31, 2016	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding - beginning of year	16,540,000	\$ 0.17	13,135,000	\$ 0.26
Granted	-	-	6,340,000	0.27
Exercised	(225,000)	0.06	(915,000)	0.12
Expired/forfeited	(40,000)	0.58	(2,020,000)	1.08
Outstanding - end of year	16,275,000	\$ 0.17	16,540,000	\$ 0.17

During the period ended June 30, 2017, 225,000 (2016 - 130,000) options were exercised for proceeds of \$10 (2016 – \$14).

The following table discloses the number of options and vested options outstanding as at June 30, 2017:

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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)
\$0.06 to \$0.15	9,785,000	2.73	\$ 0.10	9,785,000	2.73	\$ 0.10
\$0.16 to \$0.29	6,340,000	4.33	\$ 0.27	3,170,000	4.33	\$ 0.27
\$0.30 to \$1.50	150,000	0.47	\$ 0.37	150,000	0.47	\$ 0.37
Outstanding - end of year period	16,275,000	3.33	\$ 0.17	13,105,000	3.09	\$ 0.15

The following table discloses the number of options and vested options outstanding as at December 31, 2016:

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)
\$0.06 to \$0.70	16,540,000	3.82	\$ 0.17	10,705,000	2.65	\$ 0.13
Outstanding - end of year period	16,540,000	3.82	\$ 0.17	10,705,000	2.65	\$ 0.13

15 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:

	2017	2016
Short-term employee benefits	\$ 143	\$ 60
Director's fees	57	56
Share-based compensation	153	56
Legal fees	39	39
Consulting fees	54	60
	446	271

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Short-term employee benefits include salaries incurred within the 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, 2017, accounts payable and accrued liabilities included \$46 (December 31, 2016 - \$60) owing to a director and/or officer and/or companies controlled by the directors.

During the three and six months period ended June 30, 2017 the Company paid legal fees totalling \$20 (2016 - \$20) and \$39 (2016 - \$39) and consulting fees totalling \$27 (2016 - \$30) and \$54 (2016 - \$60) to companies controlled by directors and/or officers of the Company.

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

16 Cost of sales

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Mining	\$ 1,569	\$ 2,537	\$ 2,940	\$ 2,537
Crushing	726	681	1,329	681
Plant and Laboratory	567	1,490	1,098	1,490
Mine administration	435	463	784	463
Machine maintenance	524	637	1,258	637
Royalty	60	89	134	89
Change in inventory	(25)	(2,378)	192	(2,378)
Other	107	274	195	274
	\$ 3,963	\$ 3,793	\$ 7,930	\$ 3,793

17 Finance cost

	Note	Three months ended June 30,		Six months ended June 30,	
		2017	2016	2017	2016
Interest expense – promissory note		\$ -	\$ 26	\$ -	\$ 54
Accretion expense - Facility	12	-	357	-	455
Standby Fee – loan payable	12	3	10	6	22
Interest expense – Facility	12	25	147	50	298
Accretion - Decommissioning obligation		25	7	32	7
Other finance cost		3	13	4	20
		\$ 56	\$ 560	\$ 92	\$ 856

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18 Segmented disclosure

The Company operates in three 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 the Cerro Prieto project, currently operational and exploration and evaluation the El Mozo 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, 2017				As at December 31, 2016			
	Canada	Mexico	Ecuador	Total	Canada	Mexico	Ecuador	Total
Assets								
Cash and cash equivalent	289	207	4	500	503	392	2	897
Investments	67	-	-	67	110	-	-	110
Other receivables and prepaids	49	2,268	82	2,399	136	3,179	57	3,372
Inventory	-	2,403	-	2,403	-	2,409	-	2,409
Property, plant and equipment	-	3,084	-	3,084	-	1,831	-	1,831
Exploration and evaluation properties	-	187	1,754	1,941	-	-	1,409	1,409
Mineral property	-	4,934	-	4,934	-	5,577	-	5,577
Liabilities								
Accounts payable and accrued liabilities	(354)	(4,466)	(34)	(4,854)	(371)	(3,177)	(76)	(3,624)
Tax payable	-	(5)	-	(5)	-	(605)	-	(605)
Loan payable	(627)	-	-	(627)	(571)	-	-	(571)
Warrant liability	(92)	-	-	(92)	(182)	-	-	(182)
Deferred tax liability	-	(357)	-	(357)	-	(524)	-	(524)
Decommissioning obligation	-	(1,933)	-	(1,933)	-	(1,901)	-	(1,901)

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Selected financial information by operating segments is as follows:

	As at June 30, 2017			As at December 31, 2016		
	Exploration & Development	Corporate	Total	Exploration & Development	Corporate	Total
Assets						
Cash and cash equivalent	\$ 211	\$ 289	\$ 500	\$ 394	\$ 503	\$ 897
Investments	-	67	67	-	110	110
Accounts receivables and prepaids	2,350	49	2,399	3,236	136	3,372
Inventory	2,403	-	2,403	2,409	-	2,409
Property and equipment	3,084	-	3,084	1,831	-	1,831
Exploration and evaluation properties	1,941	-	1,941	1,409	-	1,409
Mineral property	4,934	-	4,934	5,577	-	5,577
Total assets	\$ 14,923	\$ 405	\$ 15,328	\$ 14,856	\$ 49	\$ 15,605

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenue				
Mining operations	4,127	4,825	8,832	4,825
Loss before income taxes for the period				
Mining operations	(690)	990	(435)	990
Exploration and development	-	-	2	(192)
Corporate	(389)	(1,474)	(900)	(1,519)
	\$ (1,079)	\$ (484)	\$ (1,333)	\$ (721)

19 Commitments and contingencies

- a) During the period ended June 30, 2017 the Company entered into a new office lease agreement whereby the Company has a minimum lease payment of \$94 per year for the period June 1, 2017 to July 31, 2021.
- b) 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. As a result, the Company recorded a contingent share consideration of \$3,305 (December 31, 2016 - \$3,305). Subsequent to the sale of Caballo Blanco to Timmins Gold in fiscal 2014, the terms of these contingent shares remained unchanged.

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Pursuant to a plan of arrangement the right to receive shares has been transferred to Almadex Minerals Limited.

- c) The Company was entitled to receive an additional contingent consideration from the 2014 Caballo Blanco sale of \$5.0 million (“Contingent Gain”) that would 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 (“Environmental Permit”); or
 - 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

During the year ended December 31, 2016, the Company sold the contingent receivable to Credipresto for cash consideration of \$1,900, which was paid upon execution and the proceeds were used to pay back the principal of the Facility and recognizing a gain on sale of \$1,900. An additional \$600 will be contingently payable to the Company by Credipresto when the owner of Caballo Blanco receives the Environmental Permit. 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, 2017 and December 31, 2016 due to the level of uncertainty surrounding the conditions required for the payments.

- d) On February 12, 2016, the Company issued 4,691,000 common shares valued at \$269 to settle debt of \$200, resulting in a loss on settlement of \$69. Of the \$200 debt satisfied, \$145 was allocated to the balance outstanding on the above two promissory notes. \$55 was related to the Mexican Value Added Tax (the “VAT Payable”) owed to Oroco pursuant to an Assignment of Debt Agreement between the Company and Oroco, whereby Oroco assigned to Goldgroup its rights to refunds stemming from certain IVA paid by Minas de Oroco S.A. de C.V. (the Company’s Mexican subsidiary acquired from Oroco Agreement). Under the IVA agreement, Oroco was entitled to 60% of the first CDN \$400 IVA refund (“First Split”). The Company settled the First Split by issuing Oroco 1,200,000 common shares, valued at \$210 in 2014. In addition, the Company would pay Oroco 50% of IVA refund in excess of CDN \$400 (“Second Split”). The Company could elect to settle Second Split through issuance of the Company’s common shares. As at December 31, 2016 the amount owing Oroco related to the Second Split was \$nil (December 31, 2015 - \$171).

20 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, 2017, 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.

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21 Supplemental cash flow information

Supplemental cash flow information		Three months ended June 30,		Six months ended June 30,	
		2017	2016	2017	2016
Depreciation capitalized to development properties		\$ -	\$ -	\$ -	\$ 41
Depreciation and depletion included in inventory		23	(146)	(169)	(146)
Mineral property expenditures accrued		-	2,358	-	2,358
Exploration expenditures accrued		-	35	-	35
Shares issuance – repayment of promissory note		-	-	-	145
Shares issuance – transaction costs on facility extension	12	-	-	-	442
Shares issuance – repayment of IVA payable		-	-	-	55
Other comprehensive income related to investment revaluation		10	804	28	1,929
Warrants issued for loan payable	12	-	-	-	53
Development property reclassified to mineral property		-	6,765	-	6,765
Development property reclassified to inventory		-	1,911	-	1,911
Accretion expense capitalized		-	-	-	6
Stock options exercised – reversal to reserves		-	-	6	-
Reclassification of taxes payable to accrued liabilities		600	-	600	-