



Goldgroup Mining Inc.

Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2018 and 2017
(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	March 31, 2018	December 31, 2017
Assets			
Current assets			
Cash and cash equivalents	5	\$ 991	\$ 1,376
Other receivables and prepaid expenses	4,5	731	492
Inventory	6	2,685	3,063
		4,407	4,931
Investments	5,7	222	159
Receivables	4	1,686	1,531
Property, plant and equipment	8	3,080	2,979
Exploration and evaluation properties	9	2,903	2,310
Mineral property	11	4,186	4,509
Total assets		\$ 16,484	\$ 16,419
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5	\$ 4,397	\$ 4,620
Tax payable		450	302
Loan payable	5,12	572	268
		5,419	5,190
Warrant liability	5,13	101	67
Deferred tax liability		530	326
Loan payable	5,12	571	802
Decommissioning obligation		1,352	1,349
Total liabilities		7,973	7,734
Shareholders' equity			
Share capital	14	134,405	134,405
Contingent share consideration	19	3,305	3,305
Reserves		8,002	7,915
Deficit		(137,201)	(136,940)
Total shareholders' equity		8,511	8,685
Total liabilities and shareholders' equity		\$ 16,484	\$ 16,419

Nature of operations and going concern (note 1)

Commitments (note 19)

Approved by the Board of Directors

"Keith Piggott" Director

"Corry Silbernagel" Director

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

Goldgroup Mining Inc.

Condensed Interim Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income

For the three months ended March 31,

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

	Note	2018	2017
Revenue			
Gold sales		\$ 5,419	\$ 4,499
Silver sales		329	206
		5,748	4,705
Cost of operation			
Cost of sales	16	(3,816)	(3,967)
Depreciation and depletion	8,11	(740)	(477)
		1,192	261
Other (expenses) income			
Depreciation	8	(2)	(2)
Share-based compensation	14	(50)	(148)
General and administrative		(282)	(385)
Salary and consulting		(283)	(261)
Professional fees		(95)	(73)
Finance cost	17	(76)	(36)
Gain on investments	7	68	-
Unrealized derivative gain – warrant liability	13	(34)	31
Foreign exchange gain		(43)	322
Other (expense) income		27	37
Income (loss) before income taxes		422	(254)
Income taxes (expense) recovery – current		(442)	147
Income taxes (expense) recovery – future		(204)	237
(Loss) income for the period		(224)	130
Other comprehensive (loss) income (“OCI”)			
Unrealized gain on available for sale investments		-	18
(Loss) income and comprehensive (loss) income for the period		\$ (224)	148
(Loss) income per share – basic & diluted		\$ (0.00)	\$ 0.00
Weighted average shares outstanding (000’s) – basic		185,137	185,076
Weighted average shares outstanding (000’s) – diluted		185,137	194,086
Total shares issued and outstanding (000’s)		185,137	185,132

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

Goldgroup Mining Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the period ended March 31,

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

	Notes	2018	2017
Cash provided by (used in) operating activities			
(Loss) income for the period		\$ (224)	\$ 130
Items not affecting cash:			
Depreciation	8	418	112
Depletion		322	367
Deferred tax expense (recovery)		204	(237)
Share-based compensation	14	50	148
Unrealized foreign exchange gain		4	(2)
Finance cost	17	76	35
Gain on investment	7	(68)	-
Unrealized derivative gain – warrant liability	13	34	(31)
Other		(1)	(1)
Change in non-cash operating working capital:			
Decrease in other receivables and prepaid expenses		(396)	(54)
Decrease in inventory		219	159
Decrease in tax payable		(221)	(243)
Increase in accounts payable and accrued liabilities		148	2
		565	385
Cash flows provided by (used in) financing activities			
Proceeds from exercise of options		-	10
		-	10
Cash flows provided by (used in) investing activities			
Purchase of property, plant and equipment		(357)	(384)
Exploration and evaluation property	9	(593)	(358)
		(950)	(742)
Decrease in cash and cash equivalents		(385)	(347)
Cash and cash equivalents – beginning of period		1,376	897
Cash and cash equivalents – end of period		\$ 991	\$ 550
Cash		\$ 965	\$ 525
Cash equivalents		26	25
Cash and cash equivalents – end of period		\$ 991	\$ 550

Supplemental disclosure with respect to cash flows (note 21)

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

Goldgroup Mining Inc.

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)	Share based compensation reserves	Foreign currency translation reserves	Investment revaluation reserves	Deficit	Total equity
December 31, 2017		185,137	\$ 134,405	\$ 3,305	\$ 8,260	\$ (308)	\$ (37)	\$ (136,940)	\$ 8,685
Reclass of investment revaluation reserve to deficit	2	-	-	-	-	-	37	(37)	-
Income for the period		-	-	-	-	-	-	(224)	(224)
Share-based compensation		-	-	-	50	-	-	-	50
Balance as at March 31, 2018		185,137	\$ 134,405	\$ 3,305	\$ 8,310	\$ (308)	\$ -	\$ (137,201)	\$ 8,511
December 31, 2016		184,912	\$ 134,389	\$ 3,305	\$ 7,951	\$ (308)	\$ (136)	\$ (137,003)	\$ 8,198
Income for the period		-	-	-	-	-	-	130	130
Unrealized loss on investments		-	-	-	-	-	18	-	18
Stock options exercised		225	16	-	(6)	-	-	-	10
Share-based compensation		-	-	-	148	-	-	-	148
Balance as at March 31, 2017		185,137	\$ 134,405	\$ 3,305	\$ 8,093	\$ (308)	\$ (118)	\$ (136,873)	\$ 8,504

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

Goldgroup Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended March 31, 2018 and 2017

(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 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 in Mexico and Ecuador. Goldgroup owns 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 \$137,201 at March 31, 2018 (December 31, 2017 – \$136,940). In addition, as at March 31, 2018, the Company has working capital deficit of \$1,012 (December 31, 2017 – working capital deficit of \$259). 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, 2017.

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, 2017. 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, 2017.

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 May 15, 2018

Goldgroup Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements

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New Accounting Standards Issued But Not Yet Effective

IFRS 16 – Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee. The IASB issued IFRS 16, Leases, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a “right-of-use asset” for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted, but only in conjunction with IFRS 15.

The Company has not yet completed the process of assessing the impact of IFRS 16 will have on its consolidated financial statements, or whether to early adopt this new requirement.

New Accounting Standards Adopted during the period

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 was adopted on January 1, 2018 and the impact to the Company’s financial statements will be to classify its investments to fair value through profit or loss. The Company adopted IFRS 9 retrospectively without restatement of comparative amounts resulting in a reclassification of \$37 from accumulated other comprehensive income to deficit on January 1, 2018. Future changes in the fair value of these investments will be recorded directly in profit or loss. No other differences of any significance have been noted in relation to the adoption of IFRS 9.

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. The amended standard was adopted on January 1, 2018 and did not have an impact on the financial statements.

3 Estimates, risks and uncertainties

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

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

Significant judgments in applying accounting policies

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

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For the period ended March 31, 2018 and 2017

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

(i) Impairment of assets

The carrying value of property, plant and equipment, exploration and evaluation properties and the Company's mineral property 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 and evaluation 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.

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 Reserves 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 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

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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. Such inventories are included in development costs until commercial production is achieved.

(iv) Decommissioning and restoration provision

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

(v) Share-based payments

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

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

(vi) Contingencies

Due to the size, complexity and nature of the Company's operations, various legal and tax matters are outstanding from time to time. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of the changes in its consolidated financial statements on the date such changes occur. In the fourth quarter of 2012, the Mexican government amended the Federal labour law regarding subcontracting arrangements to prevent the use of service companies to reduce labour and tax obligations. The Company currently operates in Mexico using these subcontracting arrangements as is the common practice. The amendments also provided clarification on certain regulatory requirements associated with an employer's obligation to compensate employees with appropriate statutory profit sharing within Mexico. The Company has assessed the implications of these amendments and has determined that it is probable that no additional obligation for statutory profit sharing payments is required to be recorded by the Company.

(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

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

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.

(viii) Impairment

Non-current assets are tested for impairment if there is an indicator of impairment, and in the case of goodwill, at least annually. The impairment analysis requires the use of estimates and assumptions, including amongst others, long-term commodity prices, discount rates, length of mine life, future production levels, future operating costs, future capital expenditures and tax estimates. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances the carrying value of the assets may be impaired or a prior period's impairment charge reversed with the impact recorded in profit or loss.

Current assets include receivables which are reviewed for collectability that may be affected by default, delays and other economic indicators.

4 Other receivables and prepaid expenses

	March 31, 2018	December 31, 2017
Current asset		
Financial assets		
Other receivables	\$ 62	\$ 43
Employee receivables	38	28
Non-Financial assets		
Value-added tax receivables	208	187
Corporate tax receivables	44	32
Total receivables	352	290
Prepaid expenses	379	202
	\$ 731	\$ 492
Non-current assets		
Non-Financial assets		
Value-added tax receivables	\$ 831	\$ 750
Other receivables	679	654
Corporate tax receivables	176	127
	\$ 1,686	\$ 1,531

5 Financial instruments

Fair values of financial instruments

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

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For the period ended March 31, 2018 and 2017

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

	Fair Value Hierarchy Level	March 31, 2018	December 31, 2017
Financial assets			
<i>Loans and Receivables</i>			
Cash and cash equivalents ⁽¹⁾	N/A	991	1,376
Receivables ⁽¹⁾	N/A	62	43
<i>Available-for-sale</i>			
Investments	Level 1	222	159
Financial liabilities			
<i>Other financial liabilities</i>			
Accounts payable & accrued liabilities ⁽¹⁾	N/A	4,397	4,620
Loan payable ⁽³⁾	N/A	1,143	1,070
<i>Derivative</i>			
Warrant liability ⁽²⁾	Level 3	101	67

(1) The carrying value of cash and cash equivalents, receivables, 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) Loans 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. Receivables are primarily due from government agencies. Receivables are primarily due from government agencies.

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. The Company is exposed to liquidity risk.

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.

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.

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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, Mexico and Ecuador 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 March 31, 2018 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 equivalents	\$ 30	\$ 935	\$ 26	\$ 991
Receivables - other	24	24	14	62
Investments	222	-	-	222
	276	959	40	1,275
Financial liabilities				
Accounts payable and accrued liabilities	(99)	(2,330)	(1,968)	(4,397)
Loan payable	-	(1,143)	-	(1,143)
Net financial (liabilities) assets	\$ 177	\$ (2,514)	\$ (1,928)	\$ (4,265)

The Company's financial assets and liabilities as at December 31, 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 equivalents	\$ 39	\$ 1,278	\$ 59	\$ 1,376
Receivables - other	34	4	5	43
Investments	159	-	-	159
	232	1,282	64	1,578
Financial liabilities				
Accounts payable and accrued liabilities	(241)	(2,417)	(1,962)	(4,620)
Loan payable	-	(1,070)	-	(1,070)
Net financial (liabilities) assets	\$ (9)	\$ (2,205)	\$ (1,898)	\$ (4,112)

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

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 March 31, 2018, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial assets by approximately \$251 (December 31, 2017 - \$nil). 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 \$193 (December 31, 2017 - \$190) 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.

March 31, 2018	Current – within 1 year	Non- current – 1 to 3 years
Accounts payable and accrued liabilities	\$ 4,397	\$ -
Loan payable	572	571
Tax payable	450	-
	\$ 5,419	\$ 571

December 31, 2017	Current – within 1 year	Non- current – 1 to 3 years
Accounts payable and accrued liabilities	\$ 4,620	\$ -
Loan payable	268	802
Tax payable	302	-
	\$ 5,190	\$ 802

6 Inventory

	March 31, 2018	December 31, 2017
Consumable supplies	\$ 741	\$ 833
Work in progress	1,872	1,461
Finished goods	72	769
	\$ 2,685	\$ 3,063

Cost of sales represents the amount of product inventory recognized as an expense. All of the Company's inventory on hand are located at the Cerro Prieto mine in Mexico. During the period ended March 31, 2018 \$nil (2017 -\$190) impairment was recorded in inventory.

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7 Investments

	December 31, 2017 Fair value	Disposed	Gain/(Loss)	Foreign exchange	March 31, 2018 Fair value
Oroco common shares	\$ 159	\$ -	\$ 68	\$ (5)	\$ 222
	December 31, 2016 Fair value	Disposed	Gain/(Loss)	Foreign exchange	December 31, 2017 Fair value
Oroco common shares	\$ 110	\$ (74)	\$ 117	\$ 6	\$ 159

As at March 31, 2018 the Company held 2,500,000 common shares of Oroco Resource Corp.

8 Property, plant and equipment

	December 31, 2016	Additions	Disposals	Write-off	December 31, 2017	Additions	Write-off	March 31, 2018
Plant and mining equipment	\$ 10,811	\$ 1,228	\$ (1,986)	\$ (169)	\$ 9,884	\$ 281	\$ -	\$ 10,165
Machinery	1,715	849	-	-	2,564	63	-	2,627
Office and furniture	251	-	-	-	251	2	(10)	243
Vehicles	1,000	104	(72)	-	1,032	11	-	1,043
Lab equipment	72	-	-	-	72	-	-	72
	\$ 13,849	\$ 2,181	\$ (2,058)	\$ (169)	\$ 13,803	\$ 357	\$ (10)	\$ 14,150

	December 31, 2016	Depreciation	Disposals	Write-off	December 31, 2017	Depreciation	Write-off	March 31, 2018
Plant and mining equipment	\$ 9,700	\$ 452	\$ (1,986)	\$ (26)	\$ 8,140	\$ 150	\$ -	\$ 8,290
Machinery	1,227	322	-	-	1,549	90	-	1,639
Office and furniture	245	4	-	-	249	1	(10)	240
Vehicles	780	60	(25)	-	815	14	-	829
Lab equipment	66	5	-	-	71	1	-	72
	\$ 12,018	\$ 843	\$ (2,011)	\$ (26)	\$ 10,824	\$ 256	\$ (10)	\$ 11,070

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Depreciation on property, plant and equipment for the period ended March 31, 2018 is \$256 (2016 - \$148) of which \$209 (2016 - \$104) is recorded as a cost of the mine, \$2 (2016 - \$2) is recorded as depreciation expense and \$45 (2016 - \$42) is included in inventory.

Carrying amount	March 31, 2018	December 31, 2017
Plant and mining equipment	\$ 1,875	\$ 1,744
Machinery	988	1,015
Office and furniture	3	2
Vehicles	214	217
Lab equipment	-	1
	\$ 3,080	\$ 2,979

9 Exploration and evaluation assets

	El Mozo Expenditures	Cerro Prieto Regional	Total
Balance December 31, 2016	\$ 1,409	\$ -	\$ 1,409
Acquisition costs	60	150	210
Capitalized costs	521	170	691
Balance December 31, 2017	1,990	320	2,310
Acquisition costs	-	428	428
Capitalized costs	113	52	165
Balance March 31, 2018	\$ 2,103	\$ 800	\$ 2,903

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 revenue 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:

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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).

Cerro Prieto Regional

During the year ended December 31, 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 \$37.5 (Paid)
April 9, 2017	• Payment of \$37.5 (Paid)
February 9, 2018	• Payment of \$428 (Paid)
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

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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.

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.

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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;

- 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.

On August 24, 2017, a Federal Amparo judge in the state of Veracruz, Mexico, dismissed Goldgroup Resources Inc.'s Amparo challenge. Goldgroup's position in response to the USD\$48 million claim remains the same, that Goldgroup was never notified of the purported court case, and does not recognize any of the claims mentioned therein and is of the belief that such claims are entirely without merit. More importantly, the Company expects the claim to be voided at the Mexican Supreme Court level due to the unambiguous arbitration result in favor of Goldgroup discussed above.

In February 2018, the Company received the recommendation of the magistrate judge in Denver, who has recommended that the Company's application to confirm the arbitration award be denied. The Company has filed an objection which will request the judge to reject the recommendation and confirm the arbitration award.

11 Mineral property

Carrying amount	Cerro Prieto
Balance, December 31, 2016	5,577
Change in estimate of reclamation obligation	369
Depletion	(1,437)
Balance, December 31, 2017	\$ 4,509
Depletion	(323)
Balance, March 31, 2018	\$ 4,186

Cerro Prieto has an existing 2% NSR. In addition, there is a production royalty calculated as 20% of the difference between the market price of gold and \$1,250 per ounce up to a maximum of US\$90 per ounce of gold produced from the Cerro Prieto Project, of the greater of (i) the first 90,000 ounces of gold produced from the Project and (ii) all ounces of gold produced from the Cerro Prieto Project until the completion of five full years after certain criteria have been met.

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12 Loan payable

The Company has a credit facility (the “Facility”) payable to Credipresto SAPI de CV SOFM ENR (“Credipresto”) that resulted from the combination of two loans during fiscal 2017. Javier Reyes, a director of the Company, is a principle of Credipresto.

The Facility has the following terms:

- The maturity of the Facility and the repayment schedule of outstanding principal thereunder shall be extended by one (1) year from the original facility, such that the new maturity date shall be September 18, 2019, with repayment instalments due quarterly starting December 18, 2018.
- The interest rate applicable to all principal owing under the Facility is set at 15%.
- Upon closing, \$500,000 was drawn on the Facility, and \$1,000,000 of additional credit shall be made available to the Company under the Facility for the duration of the Facility term.
- The Company issued 3,500,000 warrants to the Credipresto, with the following substantive terms:
 - Each warrant is exercisable for the purchase of one common share in the capital of the Company at a price of C\$0.10 per share.
 - Each warrant will expire if not exercised by July 18, 2019.

In connection with the Facility the Company incurred transaction costs of \$174, which included \$149 in fair value of warrants and \$25 in legal costs. The transaction costs are amortized and charged to profit or loss over the term of the facility.

	March 31, 2018	December 31, 2017
Balance, January 1	\$ 1,070	\$ -
Loan withdrawal	-	500
Transfer from original loans to combine into one facility	-	639
Transaction cost - warrants	-	(174)
Finance cost – standby fees	7	14
Finance cost - accretion expense	21	27
Finance cost - interest expense	45	64
	\$ 1,143	\$ 1,070
Amount classified as short-term	572	268
Long-term portion	\$ 571	\$ 802

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13 Warrant liability

	Number of warrants	Weighted average exercise price (C\$)	Warrant liability (US\$)
Balance, December 31, 2016	3,000,000	\$ 0.10	\$ 182
Additional value allocated from loan amendment	3,500,000	0.10	149
Change in fair value	-	-	(264)
Balance, December 31, 2017	6,500,000	0.10	67
Change in fair value	-	-	34
Balance, March 31, 2018	6,500,000	\$ 0.10	\$ 101

Expiry date	Number of warrants	Weighted Average exercise price (C\$)
March 18, 2019	3,000,000	0.10
July 18, 2019	3,500,000	0.10
Balance, March 31, 2018	6,500,000	0.10

The fair value allocated to the warrants at March 31, 2018 was \$101 (December 31, 2017 - \$67) 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 profit or loss for the period ended March 31, 2018 was \$34 (2017 – loss of \$31).

As part of a loan restructure in fiscal 2017, the Company issued 3,500,000 warrants to Credipresto (note 12). Each warrant is exercisable for the purchase of one common share in the capital of the Company at a price of \$0.10 per share with an expiry date of July 18, 2019. The fair values of warrants issued was calculated at \$149 and was determined on the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 1.27% risk free interest rate, expected life of 2 years, 103% annualized volatility and 0% dividend rate.

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.

	March 31, 2018	March 31, 2017
Expected warrant life	1.14 years	1.97 years
Expected stock price volatility	75%	107%
Dividend payment during life of warrant	Nil	Nil
Expected forfeiture rate	Nil	Nil
Risk free interest rate	1.74%	0.75%
Weighted average strike price	\$ 0.10	\$ 0.10
Weighted average fair value per warrant	\$ 0.02	\$ 0.07
Weighted average share price	\$ 0.08	\$ 0.12

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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 March 31, 2018, the remaining share options available for issue under the plan were 948,669 (December 31, 2017 – 2,388,669).

Total share options granted during the period ended March 31, 2018 was 2,740,000 (2016 - nil). Total share-based compensation expense recognized for the fair value of share options granted and vested during the period ended March 31, 2018 was \$50 (2017 - \$148).

	March 31, 2018		December 31, 2017	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding - beginning of period	16,125,000	\$ 0.17	16,540,000	\$ 0.17
Granted	2,740,000	0.07	-	-
Exercised	-	-	(225,000)	0.06
Expired/forfeited	(1,300,000)	0.12	(190,000)	0.41
Outstanding - end of period	17,565,000	\$ 0.15	16,125,000	\$ 0.17

The following table discloses the number of options and vested options outstanding as at March 31, 2018:

Exercise price (C\$/option)	Options Outstanding			Options 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	11,625,000	2.63	\$ 0.10	9,570,000	1.49	\$ 0.10
\$0.16 to \$0.29	5,940,000	3.58	0.27	4,455,000	3.58	0.27
Outstanding - end of period	17,565,000	2.95	\$ 0.15	14,025,000	2.95	\$ 0.15

The following table discloses the number of options and vested options outstanding as at December 31, 2017:

Exercise price (C\$/option)	Options Outstanding			Options 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	2.22	\$ 0.10	9,785,000	2.22	\$ 0.10
\$0.16 to \$0.29	6,340,000	3.82	0.27	4,755,000	3.82	0.27
Outstanding - end of period	16,125,000	2.85	\$ 0.17	14,540,000	2.75	\$ 0.15

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15 Related party transactions

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers, directors or companies with common directors of the Company. The remuneration of the Company's directors and other key management personnel during the period ended March 31, 2018 and 2017, are as follows:

	2018	2017
Short-term employee benefits included in salary and consulting	\$ 72	\$ 82
Director's fees included in professional fees	30	28
Share-based compensation	38	114
Legal fees included in professional fees	-	20
Consulting fees included in salary and consulting	27	27
	\$ 188	\$ 271

Short-term employee benefits include salaries incurred within the period to 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 March 31, 2018, other receivables and prepaid expenses include \$48 (December 31, 2017 - \$36) owing from an officer of the Company.

At March 31, 2018, accounts payable and accrued liabilities includes \$35 (December 31, 2017 - \$32) owing to a director and/or officer and/or companies controlled by the directors.

During the period ended March 31, 2018 the Company paid legal fees totalling \$nil (2017 - \$20) and consulting fees totalling \$27 (2017 - \$27) 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

	For period ended March 31,	
	2018	2017
Mining	\$ 1,101	\$ 1,371
Crushing	650	603
Plant and Laboratory	718	531
Mine administration	289	349
Machine maintenance	703	734
Royalty	112	74
Change in inventory	126	217
Other	117	88
	\$ 3,816	\$ 3,967

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17 Finance cost

	Note	For period ended March 31,	
		2018	2017
Accretion expense - facility	15	\$ 21	\$ -
Interest expense – facility	15	45	28
Standby fees – facility	15	7	-
Accretion – decommissioning liability		3	7
Other finance expenses		-	1
		\$ 76	\$ 36

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 was sold during fiscal 2017 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 March 31, 2018				As at December 31, 2017			
	Canada	Mexico	Ecuador	Total	Canada	Mexico	Ecuador	Total
Assets								
Cash and cash equivalents	\$ 551	\$ 408	\$ 32	\$ 991	\$ 722	\$ 651	\$ 3	\$ 1,376
Investments	222	-	-	222	159	-	-	159
Other receivables and prepaid expenses	138	2,176	103	2,417	49	1,877	97	2,023
Inventory	-	2,685	-	2,685	-	3,063	-	3,063
Property, plant and equipment	-	3,080	-	3,080	-	2,979	-	2,979
Exploration and evaluation properties	-	800	2,103	2,903	-	320	1,990	2,310
Mineral property	-	4,186	-	4,186	-	4,509	-	4,509
Liabilities								
Accounts payable and accrued liabilities	(446)	(3,832)	(119)	(4,397)	(504)	(4,016)	(100)	(4,620)
Tax payable	-	(450)	-	(450)	-	(302)	-	(302)
Loan payable	(1,143)	-	-	(1,143)	(1,070)	-	-	(1,070)
Warrant liability	(101)	-	-	(101)	(67)	-	-	(67)
Deferred tax liability	-	(530)	-	(530)	-	(326)	-	(326)
Decommissioning obligation	-	(1,352)	-	(1,352)	-	(1,349)	-	(1,349)

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Selected financial information by operating segments is as follows:

	As at March 31, 2018			As at December 31, 2017		
	Exploration & Development	Corporate	Total	Exploration & Development	Corporate	Total
Assets						
Cash and cash equivalents	\$ 440	\$ 551	\$ 991	\$ 654	\$ 722	\$ 1,376
Investments	-	222	222	-	159	159
Other receivables and prepaid expenses	2,279	138	2,417	1,974	49	2,023
Inventory	2,685	-	2,685	3,063	-	3,063
Property, plant and equipment	3,080	-	3,080	2,979	-	2,979
Exploration and evaluation properties	2,903	-	2,903	2,310	-	2,310
Mineral property	4,186	-	4,079	4,509	-	4,509
Total assets	\$ 15,573	\$ 911	\$ 16,484	\$ 15,489	\$ 930	\$ 16,419

	For period ended March 31,	
	2018	2017
Revenue		
Mining operations	\$ 5,748	\$ 4,705
Income (Loss) before income taxes for the period		
Mining Operations	546	639
Exploration and evaluation	(3)	2
Corporate	(767)	(511)
	\$ (224)	\$ 130

19 Commitments

- a. During the year ended December 31, 2016, the Company entered into a new office lease agreement whereby the Company has a minimum lease payment of \$73 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

Goldgroup Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended March 31, 2018 and 2017

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

Caballo Blanco to Timmins Gold in fiscal 2014, the terms of these contingent shares remained unchanged. 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

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 due to the level of uncertainty surrounding the conditions required for the payments.

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 operations, 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 March 31, 2018, the Company expects its capital resources will require additional financial 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.

21 Supplemental cash flow information

Supplemental cash flow information		2018	2017
Depreciation and depletion included in inventory		(45)	(192)
Stock options exercised – reversal to reserves		-	6
PP&E additions previously accrued in prepaids		-	853