GOLDGROUP MINING INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

(Unaudited)
(Expressed in Thousands of United States Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that these condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

GOLDGROUP MINING INC.
Consolidated Statements of Financial Position
September 30, 2014 and December 31, 2013
(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

	Note	September 30, 2014	December 31, 2013
ASSETS			
Current assets			
Cash and cash equivalents	5	$ 3,329	$ 963
Investments	6	157	170
Receivables	7	1,800	5,780
Inventories	8	937	2,032
Prepaids and deposits		157	523
Total current assets		6,380	9,468
Non-current assets			
Receivables	7	2,541	-
Plant and equipment	9	1,182	1,830
Enterprise Resource Planning Software	9	238	398
Investment in DynaResource de Mexico SA de CV	10	18,177	18,056
Exploration and evaluation properties	11	28,000	64,468
Development and operating mine properties	12	13,512	11,155
Total non-current assets		63,650	95,907
Total assets		$ 70,030	$ 105,375
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other accounts payable	13	$ 5,048	$ 2,830
Taxes payable		217	108
Loan payable	14	-	4,192
Promissory note payable	15	1,564	-
Total current liabilities		6,829	7,130
Non-current liabilities			
Loan payable	14	3,923	-
Promissory note payable	15	-	1,399
Decommissioning and restoration provision	16	1,098	950
Warrant liability	17	1,076	3
Deferred tax liability		-	8,236
Total liabilities		12,926	17,718
Equity			
Share capital	18	129,789	128,768
Share option reserve	18.3	7,351	7,322
Contingent share consideration	18.4	4,672	4,672
Translation reserve		(355)	(355)
Investment revaluation reserve		(3)	-
Deficit		(84,350)	(52,750)
Total equity		57,104	87,657
Total equity and liabilities		$ 70,030	$ 105,375
Nature of Operations and Going Concern	1		

Approved by the Board of Directors:

/s/ Keith Piggott ______________________________ Director

/s/ Gregg Sedun ______________________________ Director

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

GOLDGROUP MINING INC.
Consolidated Statements of Loss and Comprehensive Loss
September 30, 2014 and 2013
(Unaudited - Expressed in thousands of United States dollars except per share amounts)

	Note	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Revenue					
Gold sales		$ 547	$ 5,588	$ 5,020	$ 21,969
Silver sales		30	52	85	285
		577	5,640	5,105	22,254
Costs and expenses of mining operations					
Cost of sales	20	738	5,998	4,747	18,840
Depreciation and depletion	20	98	518	342	1,620
		836	6,516	5,089	20,460
Gross profit		(259)	(876)	16	1,794
Other expenses (income)					
Administrative costs	21	709	704	2,125	3,030
Impairment of mineral property	11	36,753	-	36,753	-
Share of equity loss in DynaMexico	10	(25)	2	(9)	(1)
(Gain) loss on disposal of equipment	9	-	-	(96)	-
Other expenses	22	495	764	969	804
		37,932	1,470	39,742	3,833
(Loss) income before income taxes		(38,191)	(2,346)	(39,726)	(2,039)
Provision for income taxes:					
Current		25	(115)	109	808
Deferred		(8,385)	337	(8,235)	512
(Loss) income for the period		$ (29,831)	$ (2,568)	$ (31,600)	$ (3,359)
Other comprehensive loss					
Items that may be reclassified subsequently to net loss					
Mark-to-market loss on available-for-sale securities	6	$ -	$ 48	$ (3)	$ 676
Total comprehensive loss for the period		$ (29,831)	$ (2,616)	$ (31,603)	$ (4,035)
Basic and diluted loss per share		$ (0.21)	$ (0.02)	$ (0.23)	$ (0.03)

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

GOLDGROUP MINING INC.
Consolidated Statements of Cash Flows
September 30, 2014 and 2013
(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

	Notes	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
CASH AND CASH EQUIVALENTS DERIVED FROM (USED IN)					
OPERATING ACTIVITIES					
Loss for the period		$ (29,831)	$ (2,568)	$ (31,600)	$ (3,359)
Items not involving cash:					
Deferred tax provision		(8,385)	337	(8,235)	512
Depreciation and depletion		152	575	500	1,792
Impairment of mineral property	11	36,753	-	36,753	-
(Gain) loss on disposal of equipment	9	-	397	(96)	638
Unrealized foreign exchange loss (gain)		28	(1)	(4)	2
Share-based compensation expense	18	6	(20)	29	25
Financing costs	14,15,16	53	24	101	70
Loss (gain) on warrants	6,17	(177)	55	(143)	6
Share of loss of DynaMexico	10	(26)	2	(9)	(1)
		(1,427)	(1,199)	(2,704)	(315)
Changes in non-cash working capital items	26	2,128	539	3,767	(1,535)
		701	(660)	1,063	(1,850)
FINANCING ACTIVITIES					
Issuance of shares, net of share issue costs		1,281	-	1,281	-
Proceeds from Facility, net of fees		4,857	4,189	4,857	4,189
Repayment of loan payable		(3,001)	-	(4,482)	-
		3,137	4,189	1,656	4,189
INVESTING ACTIVITIES					
Purchase of plant and equipment	9	-	-	-	(211)
Investment in Oroco Resources Corp.	6	-	-	-	(977)
Investment in DynaMexico	10	-	-	(111)	(120)
Exploration and evaluation properties	11	(13)	(201)	(223)	(1,301)
Developing and operating properties	12	(1,034)	(5,552)	(19)	(6,440)
		(1,047)	(5,753)	(353)	(9,049)
Decrease in cash and cash equivalents		2,791	(2,224)	2,366	(6,710)
Cash and cash equivalents, beginning of period		538	4,002	963	8,488
Cash and cash equivalents, end of period		$ 3,329	$ 1,778	$ 3,329	$ 1,778
Cash and cash equivalents is comprised of:					
Cash	5	$ 3,308	$ 1,757	$ 3,308	$ 1,757
Short-term deposits	5	21	21	21	21
		$ 3,329	$ 1,778	$ 3,329	$ 1,778
Supplemental Cash Flow Information	26				

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

GOLDGROUP MINING INC.
Consolidated Statements of Changes in Equity
September 30, 2014 and 2013
(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

	Common Shares		Share	Contingent		Investment		
	Number (000's)	Amount	Option Reserve	Share Consideration	Translation Reserve	Revaluation Reserve	Deficit	Total Equity
January 1, 2014	136,437	128,768	7,322	4,672	(355)	-	(52,750)	87,657
Private placement	7,458	1,092	-	-	-	-	-	1,092
costs	-	(71)	-	-	-	-	-	(71)
Share-based compensation	-	-	29	-	-	-	-	29
Loss for the period	-		-	-	-	-	(31,600)	(31,600)
Other comprehensive loss	-	-	-	-	-	(3)	-	(3)
September 30, 2014	143,895	$ 129,789	$ 7,351	$ 4,672	$ (355)	$ (3)	$ (84,350)	$ 57,104

	Common Shares		Share	Contingent		Investment		
	Number (000's)	Amount	Option Reserve	Share Consideration	Translation Reserve	Revaluation Reserve	Deficit	Total Equity
January 1, 2013	130,937	128,011	7,279	3,305	(355)	-	(45,774)	92,466
Issued to Oroco (Note 4)	5,500	757	-	1,367	-	-	-	2,124
Share-based compensation	-	-	25	-	-	-	-	25
Loss for the period	-	-	-	-	-	-	(3,359)	(3,359)
Other comprehensive loss	-	-	-	-	-	(676)	-	(676)
September 30, 2013	136,437	$ 128,768	$ 7,304	$ 4,672	$ (355)	$ (676)	$ (49,133)	$ 90,580

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

Goldgroup Mining Inc. is the parent company of its consolidated group ("Goldgroup'' or the "Company''). Goldgroup was incorporated in Quebec under the *Business Corporations Act* (Québec) and on July 28, 2011 it was continued under the *Business Corporations Act* (British Columbia). Its head office is located at Suite 1502 – 1166 Alberni Street, Vancouver BC, V6E 3Z3. Goldgroup together with its subsidiaries, is a Canadian-based gold producer and is focused on the acquisition, exploration and development of advanced stage gold-bearing mineral properties in the Americas. The Company's current gold production and exploration and development related activities are conducted exclusively in Mexico. Goldgroup owns the Cerro Colorado mine in Sonora, along with a property portfolio that includes a 100% interest in the Caballo Blanco gold project in Veracruz, a 100% interest in the Cerro Prieto Project in Sonora and a 50% interest in DynaResource de Mexico, S.A. de C.V., which owns 100% of San José de Gracia gold project in the state of Sinaloa. 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 $84,350 at September 30, 2014 (December 31, 2013 – $52,750). In addition the Company has (negative) working capital of $(449) (December 31, 2013 – $2,338). 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 the gold price, its ability to arrange additional financing and/or draw down on its current Facility, favourably resolve the legal disputes with DynaUSA, complete the development of Caballo Blanco, including obtaining the necessary permits to operate, completing development of Cerro Prieto and achieving future profitable operations. These matters results in material uncertainties which may cast doubt on its ability to continue as a going concern. These financial statements do not include any adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

2. BASIS OF PRESENTATION

These unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted and these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2013.

2. BASIS OF PRESENTATION (CONTINUED)

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 Note 2 to the Company's consolidated financial statements for the year ended December 31, 2013.

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

These unaudited condensed consolidated financial statements were approved for issue by the Board of Directors on November 12, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

Refer to the audited consolidated financial statements for the year ended December 31, 2013 and 2012 for a summary of significant accounting policies.

Changes in Accounting Standards that are effective and have been adopted by the Company
The Company has applied the following new and revised IFRSs in these unaudited condensed interim consolidated financial statements.

Levies imposed by governments
In May 2013, the IASB issued IFRIC 21 – Levies ("IFRIC 21"), an interpretation of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the impact of applying IFRIC 21 on its consolidated financial statements.

Changes in Accounting Standards that are not yet effective and have not been early adopted by the Company
The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and does not expect any of these standards to have an impact on its consolidated financial statements except as noted below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Standards Issued that have Unspecified Effective Date

IFRS 9 Financial Instruments replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

The Company is currently evaluating the impact, if any, that the new guidance is expected to have on its unaudited condensed consolidated financial statements.

4. ACQUISITION OF MINAS DE OROCO RESOURCES, SA DE CV

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

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

- i) $4,500 in cash;
- ii) a promissory note in the principal amount of $1,500 (the "First Loan"), with the principal amount of the First Loan bearing simple interest at a rate of 8% per annum. The First Loan is payable in six equal monthly instalments of $250 each plus interest, commencing on January 31, 2015.
- iii) 5,500,000 common shares of the Company were issued to Oroco at the date of closing;
- iv) A promissory note to Oroco in the principal amount of $4,125 (the "Second Loan"), with the principal amount of the Second Loan bearing no interest and payable on August 30, 2015. The Company may elect at its sole discretion to pay the principal amount of the Second Loan in cash or by issuing to Oroco 16,500,000 common shares;
- v) A production royalty calculated as 20% of the difference between the market price of gold and $1,250 per ounce up to a maximum of US$90 per ounce of gold produced from the Cerro Prieto Project, for the greater of (i) the first 90,000 ounces of gold produced from the Project and (ii) all ounces of gold produced from the Cerro Prieto Project until the completion of five full years of commercial production.

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

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

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

4. ACQUISITION OF MINAS DE OROCO RESOURCES, SA DE CV (CONTINUED)

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

The purchase price was calculated and allocated as follows:

Consideration paid:		
Cash	$	4,500
Common shares issued		757
First Loan ($1,500 promissory note) [1]		1,331
Second Loan ($4,125 promissory note or 16.5 million shares) [2]		1,367
Legal and other fees		151
	$	8,106
Net identifiable assets		
Mineral property	$	8,106

1. The First Loan note is expected to be payable. As such, the present value of the expected future payment was recorded as an acquisition cost.
2. The Second Loan has been accounted for by subtracting from the share value of $2,267, the deemed value of the Company's option to issue the shares lieu of payment. The deemed value of the option for the Company to issue 16,500,000 shares was $900 and was calculated using the Black-Scholes Option Pricing model.

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

5. CASH AND CASH EQUIVALENTS

		September 30, 2014		December 31, 2013
Cash at the bank and on hand				
US dollar	$	2,661	$	809
Canadian dollar		51		52
Mexican pesos		597		81
Short term deposits - Canadian dollar		20		21
	$	3,329	$	963

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

6. INVESTMENTS

At September 30, 2014, the Company held the following:

		Quantity (000's)	Fair Value	
Oroco common shares	(a&b)	5,000	$	157
Oroco share purchase warrants	(a&c)	5,000		-
			$	157

a) On February 5,' 2013 the Company acquired 5,000,000 units in Oroco at a price of CDN$0.20 per unit by way of private placement, with each unit being comprised of one common share and one non-transferable share purchase warrant. Each warrant entitles the Issuer to purchase one common share of Oroco for a period of two years for CDN$0.25 (See Note 12.1). The total purchase price paid for the Oroco units was $1,003 (CDN$1,000). The fair value allocated to the common shares was $903 and the fair value allocated to the warrants was $100.

b) The Company has designated its common shares of Oroco as available-for-sale financial assets and accordingly, changes in fair value are recorded in other comprehensive (income) loss in the period in which they occur. An unrealized gain (loss) of $Nil (2013 – ($676)) was recorded for the nine months ended September 30, 2014. For the year ended December 31, 2013, there had been a significant and prolonged decline in the fair value of the common shares. As a result, the cumulative loss of $700 had been reclassified from equity (other comprehensive income) to the statement of loss.

c) The Oroco warrants are considered to be derivative financial instruments and are measured each period end at fair value through profit and loss. A derivative loss of $6 (2013 - $93) was recorded during the nine months ended September 30, 2014.

7. RECEIVABLES

	September 30, 2014		December 31, 2013	
Financial assets				
Receivables	$	74	$	22
Employee receivables		2		2
		76		24
Non-financial assets				
Value-added tax receivable [a]		2,960		4,377
Corporate tax receivable [a]		1,305		1,379
	$	4,341	$	5,780

a) As of September 30, 2014, $2,541 of the value-added tax and corporate tax receivable have been classified as non-current as management believes that collection may take more than one year to collect.

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

8. INVENTORIES

Inventories consist of the following:	September 30, 2014	December 31, 2013
Doré	$ -	$ 177
Gold-in-process	-	92
Consumable supplies	937	1,763
	$ 937	$ 2,032

Cost of sales represents the amount of product inventory recognized as an expense. All of the Company's inventories on hand are located at the Cerro Colorado mine and Cerro Prieto project in Mexico. During the year ended December 31, 2013 the Company recorded an impairment of $780 with a corresponding entry to cost of sales.

As of September 30, 2013, the Company ceased mining operations at Cerro Colorado. As a result, the remaining balance of gold-in-process was amortized over the estimated number of months that it was expected to continue leaching. During the nine months ended September 30, 2014 the Company recorded a decrease to gold-in-process inventory of $92.

9. PLANT AND EQUIPMENT AND INTANGIBLE ASSET

	Plant and mining equipment	Machinery and equipment	Office equipment	Vehicles	Lab equipment	Total
Cost						
Balance , January 1, 2014	$ 9,129	$ 1,470	$ 259	$ 905	$ 72	$ 11,835
Additions	-	-	-	-	-	-
Disposal of fixed assets	(137)	-	(8)	-	-	(145)
Balance, September 30, 2014	8,992	1,470	251	905	72	11,690
Accumulated depreciation						
Balance, January 1, 2014	7,745	1,181	211	807	61	10,005
Depreciation for the period	579	15	4	45	3	646
Disposal of fixed assets	(137)	-	(6)	-	-	(143)
Balance, September 30, 2014	8,187	1,196	209	852	64	10,508
Net book value	$ 805	$ 274	$ 42	$ 53	$ 8	$ 1,182

The intangible asset relates to an Enterprise Resource Planning ("ERP") software implementation that occurred in 2012. The total cost of the software was $665 and the amortization recorded during the nine months ended September 30, 2014 was $160 (2013 - $160). The net book value as of September 30, 2014 was $238 (December 31, 2013 - $398).

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

9. PLANT AND EQUIPMENT AND INTANGIBLE ASSET (CONTINUED)

	Plant and mining equipment	Machinery and equipment	Office equipment	Vehicles	Lab equipment	Total
Cost						
Balance , January 1, 2013	$ 9,139	$ 1,282	$ 381	$ 909	$ 61	$ 11,772
Additions	181	11	10	8	-	210
Write-off of fixed assets	-	-	(147)	-	-	(147)
Balance, September 30, 2013	9,320	1,293	244	917	61	11,835
Accumulated depreciation						
Balance, January 1, 2013	6,187	976	281	739	60	8,243
Depreciation for the year	1,466	146	25	121	1	1,759
Write-off of fixed assets	-	-	(106)	-	-	(106)
Balance, September 30, 2013	7,653	1,122	200	860	61	9,896
Net book value	$ 1,667	$ 171	$ 44	$ 57	$ -	$ 1,939

10. INVESTMENT IN DYNARESOURCE DE MEXICO SA DE CV (“DynaMexico”)

The Company has a 50% equity interest in DynaMexico which owns 100% of the high-grade gold exploration project, San José de Gracia located in the state of Sinaloa.

The San Jose de Gracia property (“SJG”) is located in the northeast portion of Sinaloa State, Mexico, approximately 120 kilometres northeast of the coastal city of Los Mochis, straddling the Chihuahua border. The property consists of 34 mineral concessions covering approximately 69,000 hectares with no outstanding royalty or other interest.

The other 50% equity holder of DynaMexico is DynaResource, Inc. (“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 is to be expanded to five members with DynaUSA and Goldgroup 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.

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

10. INVESTMENT IN DYNARESOURCE DE MEXICO SA DE CV (CONTINUED)

The investment in DynaMexico is accounted for using the equity method and is comprised of:

	Nine Months Ended September 30, 2014	Year Ended December 31, 2013
Investment, beginning of period	$ 18,056	$ 17,938
Funds invested	111	120
Share of income (loss)	10	(2)
Investment, end of period	$ 18,177	$ 18,056

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

DynaResource alleged, among other things, that Goldgroup 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 March 11, 2014 the Company announced that DynaResource dropped its lawsuit in Dallas County District Court.

On October 28, 2013 Goldgroup 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 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.

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

11. EXPLORATION AND EVALUATION PROPERTIES

Caballo Blanco

	Nine Months Ended September 30, 2014	2013
Balance, beginning of the period	$ 64,468	$ 63,388
Exploration Costs		
Depreciation	62	76
Exploration	96	1,017
Fees and taxes	127	132
	64,753	64,613
Impairment	(36,753)	-
Balance, end of the period	28,000	64,613

The Company owns 100% of Caballo Blanco which consists of 14 mineral concessions covering 54,732 hectares, 65 kilometres north northwest of Veracruz, Mexico. The NSR royalty payable on Caballo Blanco is 2%.

The Company has substantially reduced exploration and development activity on the project until all necessary permits, including the Environmental Impact Assessment ("EIS") have been secured. The EIS was initially submitted to the Secretaria de Medio Ambiente y Recurso Naturales ("SEMARNAT") on December 15, 2011. On September 14, 2012, the Company deferred the evaluation of the EIS and is currently in the process of working on three environmental studies that have been brought forth through the EIS permitting process.

For the quarter ended September 30, 2014, the Company's review of impairment indicators gave rise to an impairment review of the Company's exploration and evaluation property, Caballo Blanco. The Company has experienced lengthy delays in permitting Caballo Blanco. The Company has also been investigating strategic options that may be available to it, including a joint venture, the sale of all or a portion of the Caballo Blanco, or any combination thereof. Management determined that Caballo Blanco was impaired in the amount of $36,753 with a corresponding impairment charge to exploration and evaluation properties. The recoverable amount has been determined on the basis of fair value less costs to dispose.

As part of the October 14, 2011 acquisition of Almaden Mineral Ltd.'s ("Almaden") remaining 30% ownership of Caballo Blanco, the Company has a requirement to issue up to an additional 7 million of Goldgroup's common shares upon the achievement of certain project milestones:

- 1 million common shares upon commencement of commercial production
- 2 million common shares upon measured and indicated resources, including cumulative production, reaching 2 million ounces of gold
- 2 million common shares upon measured, indicated and inferred resources, including cumulative production, reaching 5 million ounces of gold
- 2 million common shares upon measured, indicated and inferred resources, including cumulative production, reaching 10 million ounces of gold

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

11. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

As part of ongoing surface rights land negotiations with local property owners, the Company entered into surface land purchase agreements whereby it had agreed to pay $442 (5,961,000 pesos) by October 25, 2013 and $1,585 (21,360,053 pesos) by October 25, 2016 for specific surface rights. In October 2013 the Company and the local property owners agreed to defer the surface land rights payments, originally due on October 25, 2013, by six months each and up to another six months in the event that the Company has not commenced construction on Caballo Blanco. On October 22, 2014, the Company verbally agreed with the land owner under the same terms to defer the payments an additional twelve months. Ongoing discussions are in hand to modify the agreement to reduce the overall payment.

The Company is required to pay taxes to maintain all Mexican concessions and to incur a minimum amount of expenditures. The minimum expenditure amount is based on land area and the age of concession. Expenditures in excess of the required minimum may be carried forward over the life of the concession.

12. DEVELOPMENT AND OPERATING MINE PROPERTIES

Mine under construction - Cerro Prieto	Note	Nine Months Ended September 30, 2014	Year Ended December 31, 2013
	12.1		
Balance, beginning of period		$ 11,155	$ -
Acquisition Costs		-	8,106
Development Costs			
Depreciation		244	100
Mine operations		5,670	1,258
Plant and lab		147	405
Engineering		145	62
Leach pad		358	296
Geology and drilling		333	293
Roads		-	157
Crusher		901	358
Restoration and decommissioning provision		148	
Royalties		149	
Other		220	120
Total costs for period		8,315	11,155
Revenue from sale of gold and silver		(5,958)	-
Balance, end of period		$ 13,512	$ 11,155

12.1 Cerro Prieto

The Company owns a 100% interest in Cerro Prieto, located in northern Sonora, Mexico. Cerro Prieto consists of seven mineral concessions totalling 6,979 hectares. Gold is produced in doré in Mexico and then shipped to a refiner in the United States for final processing prior to sale.

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

12. DEVELOPMENT AND OPERATING MINE PROPERTIES (CONTINUED)

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

Cerro Prieto was acquired for total consideration of $8,106 (see Note 4). As part of consideration the Company has 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 $90.00 per ounce of gold produced from the Cerro Prieto Project, for the greater of (i) the first 90,000 ounces of gold produced from the Project and (ii) all ounces of gold produced from the Project until the completion of five full years of commercial production.

In addition, the Cerro Prieto Project has an existing 2% net smelter return royalty.

12.2 Cerro Colorado

The Company owns a 100% interest in the Cerro Colorado mine, located in northern Sonora, Mexico. The property consists of six mineral concessions totalling 197 hectares, covering the area of the mine and 44 concessions in the immediate vicinity of the mine totalling 33,767 hectares. Gold is produced in doré in Mexico and then shipped to a refiner in the United States for final processing prior to sale. On September 30, 2013, the Company stopped full scale mining operations and continued to process gold from the leach pad. The project is subject to a NSR royalty of 3%. By end of Q3 2014 the company had rinsed the pad and is presently considering exploration proposals from other companies.

As of the September 30, 2014 and December 31, 2013 the cost and accumulated amortization for the Cerro Colorado mine was $15,811 and $15,811, respectively.

13. TRADE AND OTHER ACCOUNTS PAYABLE

	September 30, 2014	December 31, 2013
Financial liabilities		
Trade payables	$ 4,921	$ 2,584
Employee payables	121	84
Payroll accruals	6	162
	$ 5,048	$ 2,830

The financial liabilities are non-interest bearing and are normally settled within 90 days.

14. LOANS PAYABLE

14.1 Loan from RMB and Credit Presto

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

The Facility is available for drawdown through December 18, 2016, with an initial drawdowns being used to repay in full all amounts outstanding on the Company's current loan payable, amounting to $2,007 (Cdn$2,190), and ongoing development work at Cerro Prieto including additional crushing equipment and leach pad expansions as well as other working capital purposes. The total amount drawn down during the period was $6,000.

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

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

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

2. 3,000,000 Warrants (the "Second Warrants") are cancellable by the Company if Goldgroup does not draw more than $7.5 million under the Facility by December 18, 2016, but in all other respects will have the same terms as the First Warrants.

3. 3,000,000 Warrants (the "Third Warrants") do not have a forced exercise mechanism. The Third Warrants will have an exercise price equal to CDN $0.23.

In connection with the Facility, the Company has incurred transaction costs of $2,106, which includes a $600 structuring fee paid at the time of the first drawdown, the fair market value of the issued financier warrants of $963 and legal fees. The transaction costs are amortized and charged to the Statement of Loss over the term of the facility.

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

14. LOANS PAYABLE (CONTINUED)

The Facility balance as of September 30, 2014 is as follows:

	Nine months ended September 30, 2014
Facility balance, beginning of the period	$ -
Net drawdowns during the period	6,000
Unamortized transaction costs	(2,085)
Interest expense	8
Present value of Facility, end of period	$ 3,923

14.2 Loan from New York-based, private institutional investor

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

The Loan was for a term of 16 months and was secured against all of the assets of the Company and its subsidiaries. The stated interest rate of the loan was 15% per annum. The principal and interest were to be repaid with nine (9) equal monthly payments commencing April 30, 2014 and ending December 31, 2014.

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

	Nine Months Ended September 30, 2014	Year Ended December 31, 2013
Loan balance, beginning of the period	$ 4,192	$ -
Loan on August 30, 2013	-	3,846
Interest expense	367	200
Legal fees	14	246
Repayments	(4,483)	-
Foreign exchange gain	(90)	(100)
Loan balance, end of period	$ -	$ 4,192

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

15. PROMISSORY NOTE PAYABLE

Pursuant to the Oroco Agreement dated August 30, 2013 with Oroco (Note 4), a promissory note in the principal amount of $1,500 (the "First Loan"), bearing simple interest at a rate of 8% per annum and payable in six (6) equal monthly instalments of $250 each, commencing on January 31, 2015. Interest will accrue on the principal amount of the First Loan from the date of closing of the Transaction and will be payable quarterly in arrears, on a declining balance.

The undiscounted amount of estimated cash flows required to settle the promissory note payable are estimated to be $1,695, including interest of $195. The discounted amount of the promissory note at August 30, 2013 was $1,331, using a discount rate of 15%.

	Nine Months Ended September 30, 2014	Year Ended December 31, 2013
Balance, beginning of period	$ 1,399	$ -
Issued on August 30, 2013 (face value)	-	1,500
Discount for present value	-	(169)
Interest expense	90	41
Accretion	75	27
Repayments	-	-
Balance, end of period	$ 1,564	$ 1,399

The Company is in compliance with the promissory note requirements.

16. DECOMMISSIONING AND RESTORATION PROVISION

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

Cerro Colorado

The undiscounted amount of estimated cash flows required to settle the decommissioning and reclamation costs is estimated at $950. The key assumptions on which this estimate was based on are:

(i) Expected timing of the cash flows is based on the estimated useful life of the Cerro Colorado mine to the extent of currently known proven and probable mineral reserves. The majority of the expenditures are expected to occur in 2015.

(ii) The discount rate used is 15%.

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

16. DECOMMISSIONING AND RESTORATION PROVISION (CONTINUED)

Cerro Prieto

The undiscounted amount of estimated cash flows required to settle the decommissioning and reclamation costs is estimated at $250. The key assumptions on which this estimate was based on are:

(i) Expected timing of the cash flows is based on the estimated useful life of Cerro Prieto to the extent of currently known proven and probable mineral reserves. The majority of the expenditures are expected to occur in 2018.

(ii) The discount rate used is 15%.

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

	September 30, 2014	December 31, 2013
Opening	$ 950	$ 855
Addition for Cerro Prieto	143	-
Accretion expense	5	95
	$ 1,098	$ 950

17. WARRANT LIABILITY

	Warrants	Weighted average exercise price (C$)	Warrant liability (US$)
Balance, January 1, 2014	2,000,000	$ 1.25	$ 3
Issued during the period	15,729,011	0.19	1,223
Change in fair value	-	-	(150)
Balance, September 30, 2014	17,729,011	$ 0.34	$ 1,076
Balance, January 1, 2013	2,000,000	$ 1.25	$ 90
Change in fair value	-	-	(87)
Balance, December 31, 2013	2,000,000	$ 1.25	$ 3

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

17. WARRANT LIABILITY (CONTINUED)

Expiry Date	Number of Warants		Weighted average exercise price (C$/warrant)
November 26, 2015	2,000,000	$	1.25
August 12, 2016	2,767,955	$	0.25
August 22, 2016	961,056	$	0.25
March 18, 2018 (Note 14.1)	3,000,000	$	0.19
March 18, 2018 (Note 14.1)	3,000,000	$	0.19
March 18, 2018 (Note 14.1)	6,000,000	$	0.23
	17,729,011	$	0.34

In connection with the Facility indicated in Note 14.1, on September 19, 2014, the Company issued 12,000,000 warrants exercisable at prices ranging from $0.19 to $0.23 per share, expiring March 18, 2018. These warrants were assigned a fair value of $963 using the Black-Scholes Pricing Model.

In connection with the two tranches of the private placement indicated in Note 18.2, in August 2014, the Company issued 3,729,011 warrants exercisable at a price of $0.25 per share, expiring up to August 22, 2016. These warrants were assigned a fair value of $259 using the Black-Scholes Pricing Model.

The fair value allocated to the warrants at September 30, 2014 was $1,076 (December 31, 2013 - $3) and is recorded as a derivative financial liability. The gain recognized in the statement of loss and comprehensive loss for the period ended September 30, 2014 and 2013 was $150 and $86, respectively, and is included in other income.

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.

18. EQUITY

18.1 Authorized

Unlimited number of common shares with no par value

18.2 Shares Issued

Shares issued and outstanding as at September 30, 2014 are 143,894,596 (December 31, 2013 – 136,436,575).

18. EQUITY (CONTINUED)

During the nine months ended September 30, 2014, the following share transactions occurred:

i. In August 2014, the Company completed a non-brokered private placement consisting of 7,458,021 units at a price of $0.20 per unit for gross proceeds of $1,371 (CDN$1,491). Each unit consisted of one common share and one-half non-transferable common share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price $0.25 per shares for two years from the date of issue of the warrant. Finders' fees of $82 were paid to an arm's length party.

During the year ended December 31, 2013, the following share transactions occurred:

ii. 5,500,000 common shares were issued to Oroco as part of the Oroco Agreement with respect to the acquisition of the Cerro Prieto Project (see Note 4).

18.3 Share-based compensation expense

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 September 30, 2014, share options available for issue under the plan were 14,389,460.

Total share options granted during the nine months ended September 30, 2014 were nil (2013 – 125,000). Total share-based compensation expense recognized for the fair value of share options granted and vested during the nine months ended September 30, 2014 was $29 (2013 - $25).

The fair value of share options granted is estimated on the date of grant 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 share options.

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

18. EQUITY (CONTINUED)

The following stock options were outstanding:

	Options	Weighted average exercise price (Cdn$)
January 1, 2014	8,748,858	$ 0.70
Expired	(1,573,821)	$ 1.04
Forfeited	(22,500)	$ 0.10
September 30, 2014	7,152,537	$ 0.63
January 1, 2013	10,375,108	$ 1.00
Granted	3,560,000	$ 0.10
Expired	(5,011,250)	$ 0.89
Forfeited	(175,000)	$ 0.64
December 31, 2013	8,748,858	$ 0.70

The following table summarizes information about the Company's stock options outstanding at September 30, 2014:

	Options Outstanding			Options Exercisable		
Exercise price (C$/option)	Options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (C$/option)	Options outstanding and exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price (C$/option)
$0.10 to $0.70	4,477,537	3.53	$0.20	2,743,787	3.15	$0.26
$0.71 to $1.40	2,675,000	1.32	1.36	2,675,000	1.32	1.36
Total	7,152,537	2.70	$0.63	5,418,787	2.25	$0.80

18.4 Contingent share consideration

a) The Company has committed to issue up to 7 million of its common shares to Almaden upon the achievement of certain project milestones on the Caballo Blanco project. This contingent share consideration was originally valued at $3,305 (see Note 11.1). There was no change in the fair value of the contingent share consideration as of September 30, 2014.

b) The Company has committed to issue up to 16.5 million of its common shares or, at its option, pay CDN$4,125 to Oroco on or before August 30, 2015. This contingent share consideration was originally valued at $1,367 (see Note 4).

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

19. RELATED PARTY AND KEY MANAGEMENT TRANSACTIONS AND BALANCES

Key management	Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include directors, current executive officers and former executive officers (if their relationship ended during the periods disclosed), and the general managers and technical directors of the Company's various operations.

Related parties other than key management include the estranged spouse and son-in-law of the Chairman and CEO of the Company.

Key management compensation includes:	Nine Months Ended September 30,	
	2014	**2013**
Salaries [1]	$ 423	$ 503
Non-executive director fees	97	101
Benefits [1]	19	52
Bonuses [2]	-	43
Options [3]	24	12
	$ 563	$ 711

1.The salaries and benefits are included in costs of sales, administrative expenses and exploration and evaluation properties.
2.The bonuses are included in cost of sales or administrative costs.
3.The options are included in administrative expenses as share-based compensation expense.

At September 30, 2014, Trade and other accounts payable includes $60 (2013 - $42) owing to a director and/or officer and/or companies controlled by the directors. During the nine months ended September 30, 2014 the Company paid legal fees totalling $50 (2013 - $27) to a Company controlled by a director of the Company.

On September 22, 2014, the Company closed an agreement with two lenders (the "Lenders"), RMB and Credipresto, for a $10 million secured medium term loan facility. The Facility is being funded 80% by RMB and 20% by Credipresto. Javier Reyes, a director of Goldgroup, is a principal of Credipresto. 20% of all fees and interest associated with this transaction are paid to Creditpresto, which is considered a related party. CreditPresto received $120 as part of facilitation fee and 2.4 million warrants. See Note 14.1 for breakdown types of warrants. The fair value of warrants issued to Credit Presto was $193 using the Black-scholes model. Interest accrued to Credit Presto during the period was $2.

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

19. RELATED PARTY AND KEY MANAGEMENT TRANSACTIONS AND BALANCES (CONTINUED)

Due to the particulars Mexican law, it is common for operating companies to employ their workers through a management company. The employees of Granmin Mexico were employed by Pabelini, S.A. de C.V. ("Pabelini"), a company owned by the estranged spouse of the CEO. Under an agreement, dated June 1 ,2011 and expired May 31, 2014, between Granmin Mexico and Pabelini, Pabelini paid all of the Cerro Colorado and Cerro Prieto mine employees and Granmin Mexico administrative personnel and was reimbursed by Granmin Mexico. Pabelini charged a fee equal to 5% of the base salaries of the employees, before additions for statutory remittances. During the nine months ended September 30, 2014 this fee totaled $47 (2013 - $117). This fee was meant to reimburse Pabelini for its office costs and administrative overhead costs incurred in managing the payroll and making all required remittances to the Mexican government in association with salaries of such employees. At September 30, 2014, amounts owing to (from) Pabelini totalled $6 (December 31, 2013 - $(77)). As of May 31, 2014 all of these employees were transitioned to an independent payroll company.

In addition to Pabelini, a number of expatriate workers employees were employed by Minop, S.A. de C.V. ("Minop"). Minop is a private company controlled by the son-in-law of the CEO. Under an agreement, dated October 1, 2011 and expiring September 30, 2014, Minop charged a service fee equal to 1.5% of base salary for employees earning greater than $100 per year and 3% for employees earning less than $100 base salary per year. During the nine months ended September 30, 2014 this fee totaled $14 (2013 - $27). This fee was meant to reimburse Minop for administrative costs incurred by the company in providing these services. At September 30, 2014, amounts owing to Minop totalled $Nil (December 31, 2013 - $80). As of September 30, 2014 the majority of the employees transitioned to an independent payroll company.

Amounts owing to or from related parties are non-interest bearing, unsecured and due on demand. Transactions with related parties for goods and services are made on normal commercial terms.

20. COST OF SALES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Raw materials	$ 462	$ 3,169	$ 2,982	$ 13,475
Salaries and employee benefits	117	922	783	2,956
Contractors	79	154	275	451
Royalties	8	157	161	676
Change in inventories	33	1,181	269	524
Write-off inventory	-	397	-	597
Other	39	18	277	161
	738	5,998	4,747	18,840
Depreciation and depletion	98	518	342	1,620
	$ 836	$ 6,516	$ 5,089	$ 20,460

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

21. ADMINISTRATIVE COSTS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2013**	**2014**	**2013**
Salaries and consulting	$ 217	$ 265	$ 630	$ 960
Office and rent	99	119	317	505
Insurance proceeds for legal costs	-	-	(323)	-
Amortization	54	57	158	172
Investor relations	14	20	84	103
Professional fees	242	159	1,014	993
Travel	29	32	99	105
Share-based compensation expense	6	(20)	29	25
Interest income	-	(1)	(27)	(18)
Other	48	73	144	185
	$ 709	$ 704	$ 2,125	$ 3,030

22. OTHER (INCOME) EXPENSES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2013**	**2014**	**2013**
Accretion expense	$ -	$ 24	$ -	$ 70
Interest and other	194	37	575	63
Financing fee	-	392		392
Write off fixed assets	-	-	-	41
Loss (gain) on warrants	(177)	55	(143)	6
Foreign exchange loss (gain)	456	39	505	(285)
Exploration - project generation	22	155	24	310
Exploration - Cerro Colorado	-	62	8	207
	$ 495	$ 764	$ 969	$ 804

23. RISK MANAGEMENT

23.1 Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to credit, liquidity and market risks from the use of financial instruments. Financial instruments consist of cash and cash equivalents, receivables, trade and other accounts payable, promissory note payable, loans payable, royalty payable and warrant liability.

23. RISK MANAGEMENT (CONTINUED)

a. Credit Risk

Credit risk arises from the non-performance by counterparties to the Company’s contractual financial assets. The Company’s exposure to credit risk includes cash and cash equivalents and certain receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions and by investing in high credit quality financial instruments. The Company manages its credit exposure with respect to operational matters by transacting with reputable, highly rated counterparties. The Company monitors the financial condition of its counterparties. The Company does not have derivative financial assets or significant trade receivables. Any credit risk exposure on cash and cash equivalents and receivables is considered negligible.

b. Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. The Company is dependent on cash flow from mining operations, capital raised from issuances of common shares and sale of assets to fund its business activities. The Company uses cash forecasts to ensure as far as possible that there is sufficient cash on hand to meet short-term business requirements. The Company’s cash is invested in highly liquid investments which are available to discharge obligations when they come due. Most of the Company’s financial liabilities have contractual maturities of less than 30 days. Other than the loan payable which has repayment terms exceeding one year, all of the Company's other financial obligations are due within one year. In the normal course of business the Company enters into contracts that give rise to commitments for future payments (Note 24).

The Company’s future mine closure obligations may require funds to be set aside from time to time. Estimated future costs of decommissioning and restoration are accrued. Security deposits and cash amounts, if required, will be held in trust and recorded as restricted cash.

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

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

23. RISK MANAGEMENT (CONTINUED)

As at September 30, 2014	Current	Non-current	
	Within 1 year	1 to 3 years	Later than 3 years
Trade and other accounts payable	$ 5,415	$ -	$ -
Promissory note payable	1,630	-	-
Loan payable	-	6,008	-
Total	$ 7,045	$ 6,008	$ -

As at December 31, 2013	Current	Non-current	
	Within 1 year	1 to 3 years	Later than 3 years
Trade and other accounts payable	$ 2,830	$ -	$ -
Promissory note payable	-	1,540	-
Loan payable	4,192	-	-
Total	$ 7,022	$ 1,540	$ -

c. Market Risk

The significant market risks which the Company is exposed to are interest rate risk, price risk and foreign currency risk. These risks will affect the Company's financial performance and the value of its financial instruments.

i. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Generally, the Company's interest income will be reduced during sustained periods of lower interest rates as higher yielding cash equivalents and short-term investments mature and the proceeds are reinvested at lower interest rates. The converse situation will have a positive impact on interest income.

To limit interest rate risk, the Company uses a restrictive investment policy. The fair value of the investments of financial instruments included in cash and cash equivalents is relatively unaffected by changes in short-term interest rates. The investments are generally held to maturity and changes in short-term interest rates do not have a material effect on the Company's operations.

ii. 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 the value of the warrant liability.

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

23. RISK MANAGEMENT (CONTINUED)

iii. Foreign currency risk

The Company is exposed to foreign currency fluctuations and inflationary pressures on its financial assets and liabilities and on sales, purchases and costs as the majority of the Company's activities are carried out in Mexico. All of the Company's revenues from commodity sales are denominated in US dollars. The head office is located in Canada and related costs are primarily incurred in Canadian dollars. Other costs and expenditures that affect the Company's results of operations, financial positions or cash flows are incurred in US dollars, Canadian dollars and Mexican pesos.

The Company is exposed to foreign currency risk on financial instruments related to cash and cash equivalents, receivables, trade and other accounts payable and warrant liability. A significant change in the currency exchange rates between the US dollar relative to other currencies could have an effect on the Company's results of operations, financial position or cash flows. The Company does not mitigate transactional volatility in either the Mexican peso, Canadian dollar or the US dollar at this time. The Company does not use derivative financial instruments to reduce its exposure to foreign currency risk.

The Company does not employ any foreign currency hedge instruments to manage exposure to fluctuations in foreign currency exchange rates.

Foreign currency exposure on the Company's financial assets and financial liabilities as of September 30, 2014 and December 31, 2013 is shown in the table below:

	Canadian dollar (Cdn $)		Mexican Peso (Peso)	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Financial assets				
Cash and cash equivalents	$ 80	$ 77	$ 7,655	$ 1,061
Receivables	39	7	58,022	77,712
	$ 119	$ 84	$ 65,677	$ 78,773
Financial liabilities				
Trade and other accounts payable	$ 591	$ 295	$ 23,092	$ 12,028
Loan payable	-	4,463	-	-
	$ 591	$ 4,758	$ 23,092	$ 12,028

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

23. RISK MANAGEMENT (CONTINUED)

The following table indicates the impact of foreign currency risk on working capital as at September 30, 2014. The table also provides a sensitivity analysis of a ten percent strengthening of the US dollar against foreign currencies as identified, which would have increased (decreased) the Company's net earnings by the amounts shown in the table below.

	Canadian Dollars	Mexican Pesos
Financial assets	$119	65,677
Financial liabilities	(591)	(23,092)
Net foreign currency working capital	$(472)	$42,585
US$ exchange rate	0.897	0.074
Net foreign currency working capital in US$	(423)	3,151
Foreign exchange loss on a 10% strengthening of the US$	42	315
Foreign exchange gain on a 10% weakening of the US$	42	315

23.2 Fair Values

The carrying values of cash and cash equivalents, receivables and trade and other accounts payable approximate fair values due to their short-term to maturity nature or the ability to readily convert to cash.

The Company's financial assets and financial liabilities are measured at fair value by level within the fair value hierarchy described below. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

As at September 30, 2014, the Company's cash and cash equivalents, receivables and trade and other accounts payable are measured at amortized cost.

The following table outlines the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy described below. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. At September 30, 2014 the Company's financial instruments measured at fair value are as follows:

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

23. RISK MANAGEMENT (CONTINUED)

	Level 1 $	Level 2 $	Level 3 $
Assets			
Cash and cash equivalents	$ 3,329	$ -	$ -
Receivables	$ -	$ 4,872	$ -
Marketable securities	$ 157	$ -	$ -
Liabilities			
Trade and other accounts payable	$ -	$ (5,415)	$ -
Loan payable	$ -	$ -	$ (3,923)
Warrant liability	$ -	$ -	$ (1,076)
Promissory note payable	$ -	$ (1,564)	$ -

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability.

There were no transfers between level 1, 2 or 3 during the nine months ended September 30, 2014 and year ended December 31, 2013.

24. COMMITMENTS

In December 2013 the Company entered into a new office lease agreement whereby the Company has minimum lease payments of $50 per year for the period February 1, 2014 to July 31, 2016. Operating costs and property taxes are estimated to be $36 per year.

The Company has entered into a lease agreement with the owner (son-in-law of CEO) of a nearby water well for the exclusive rights to use water from the well in the operation of the Cerro Colorado Mine. The lease has an indefinite term which runs until cessation of mining activity. No rental fees are charged under this agreement however fees are payable to the Mexican government based on water consumption.

As part of ongoing surface rights land negotiations with local property owners, the Company has entered into surface land purchase agreements whereby it has agreed to pay $442 (5,961,280 pesos) by October 25, 2013 and $1,585 (24,500,000 pesos) by October 25, 2016 for specific surface rights. In October 2013 the Company and the local property owners agreed to defer the surface land rights payments, originally due on October 25, 2013, by six months each and up to another six months in the event that the Company has not commenced construction on the Caballo Blanco project. On October 22, 2014, the Company verbally agreed with the land owner under the same terms to defer the payments an additional twelve months. Ongoing discussions are in hand to modify the agreement to reduce the overall payment.

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

24. COMMITMENTS (CONTINUED)

Effective November 1, 2011, the Company entered into rental agreements to occupy land located at Caballo Blanco for a period of ten years. The estimated annual rental payments through October 31, 2021 are $223 (3,000,000 pesos).

Exploration and evaluation properties and Development and Operating Mine Properties commitments are disclosed in Notes 11 and 12.

25. SEGMENTED INFORMATION

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

During the nine months ended September 30, 2014 and 2013, 100% of the Company's sales were to three third parties. The balance owing from these parties at September 30, 2014 and 2013 was $nil.

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

			September 30, 2014
	Canada	**Mexico**	**Total**
ASSETS			
Current assets	$ 2,873	$ 3,507	$ 6,380
Receivables (non-current)	-	2,541	2,541
Plant and equipment	5	1,177	1,182
Enterprise resource planning software	238	-	238
Investment in DynaMexico	-	18,177	18,177
Exploration and evaluation properties	-	28,000	28,000
Development and operating properties	-	13,512	13,512
LIABILITIES			
Trade and other accounts payable	(860)	(4,188)	(5,048)
Taxes payable	-	(217)	(217)
Decommissioning and restoration provision	-	(1,098)	(1,098)
Promissory note payable	(1,564)	-	(1,564)
Loan payable	(3,923)	-	(3,923)

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

25. SEGMENTED INFORMATION (CONTINUED)

	Canada	Mexico	December 31, 2013 Total
ASSETS			
Current assets	$ 746	$ 8,722	$ 9,468
Plant and equipment	4	1,826	1,830
Enterprise resource planning software	398	-	398
Investment in DynaMexico	-	18,056	18,056
Exploration and evaluation properties	-	64,468	64,468
Development and operating properties	-	11,155	11,155
LIABILITIES			
Trade and other accounts payable	(390)	(2,440)	(2,830)
Taxes payable	-	(108)	(108)
Decommissioning and restoration provision	-	(950)	(950)
Promissory note payable	(1,399)	-	(1,399)
Loan payable	(4,192)	-	(4,192)

Selected financial information by operating segments is as follows:

	Nine Months Ended September 30, 2014	2013
Revenue		
Mining operations	$ 5,105	$ 22,254
Income (loss) before income taxes for the period		
Mining operations	$ 16	$ 1,794
Exploration and evaluation	(36,730)	(516)
Corporate	(3,012)	(3,317)
	$ (39,726)	$ (2,039)

	Mining Operations	Exploration and Development	Corporate	September 30, 2014 Total
Current assets	$ 3,187	$ 320	$ 2,873	$ 6,380
Receivables (non-current)	2,541	-	-	2,541
Plant and equipment	1,068	109	5	1,182
Intangible asset	-	-	238	238
Investment in DynaMexico	-	18,177	-	18,177
Exploration and evaluation properties	-	28,000	-	28,000
Development and operating properties	13,512	-	-	13,512
	$ 20,308	$ 46,606	$ 3,116	$ 70,030

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

25. SEGMENTED INFORMATION (CONTINUED)

	Mining Operations	Exploration and Development	Corporate	December 31, 2013 Total
Current assets	$ 8,252	$ 470	$ 746	$ 9,468
Plant and equipment	1,411	415	4	1,830
Intangible asset	-	-	398	398
Investment in DynaMexico	-	18,056	-	18,056
Exploration and evaluation properties	-	64,468	-	64,468
Development and operating properties	-	11,155	-	11,155
	$ 9,663	$ 94,564	$ 1,148	$ 105,375

26. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating working capital items:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Receivables	$ 315	$ (845)	$ 1,439	$ (1,053)
Inventories	648	1,303	1,095	749
Prepaids and deposits	(41)	(54)	365	(9)
Trade and other accounts payable	670	590	(1,478)	(992)
Accounts payable for exploration and evaluation and development properties	458	(517)	1,848	(292)
Interest payable on loan payable and promissory note payable	56	62	389	62
Taxes payable	22	-	109	-
	$ 2,128	$ 539	$ 3,767	$ (1,535)

Non-cash investing transactions not included in cash flows:

Depreciation capitalized to properties	$ 117	$ 76	$ 306	$ 128
Accretion expense	$ 5	$ 25	$ 5	$ 71
Issuance of shares for exploration and evaluation property	$ -	$ 757	$ -	$ 757
Contingent share consideration for exploration and evaluation property	$ -	$ 1,367	$ -	$ 1,367

27. SUBSEQUENT EVENT

On October 1, 2014 the Company closed an agreement (the "Agreement") with Oroco whereby Oroco assigned to Goldgroup its rights to refunds stemming from certain Mexican Value Added Tax paid by MOR between 2008 to 2012 ("VAT Refunds"). The rights to the VAT Refunds were previously assigned by MOR to Oroco prior to the Company's purchase of MOR from Oroco on August 30, 2013 as part of the acquisition of Cerro Prieto. Under the terms of the Agreement, in consideration for the assignment Goldgroup issued to Oroco 1,200,000 common shares and will pay Oroco 50% of any future amounts of VAT Refunds recovered in excess of CDN $400, which Goldgroup may elect to settle by issuing common shares to be valued at the 5-day volume weighted average price (“VWAP”) at the time of payment. In addition, if the amount of VAT Refunds recovered by August 30, 2015 is less than CDN $400, then Oroco will reimburse Goldgroup 60% of the difference between the amount actually recovered and CDN $400, and Oroco will be entitled to be repaid any reimbursed amounts if future VAT Refunds are realized.