



Goldgroup Mining Inc.

Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2016 and 2015
(Unaudited)
(expressed in thousands of US dollars, except where indicated)

Goldgroup Mining Inc.

Condensed Interim Consolidated Statements of Financial Position

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

	Note	June 30, 2016	December 31, 2015
Assets			
Current assets			
Cash	5	\$ 49	\$ 222
Other receivables and prepaid expenses	4,5	2,275	675
Inventory	6	3,016	725
Restricted cash	5	-	420
		5,340	2,042
Investments	5,7	2,710	1,751
Receivables	4	2,228	2,175
Loans receivable	5,8	961	1,084
Property and equipment	9	841	830
Exploration and evaluation properties	10	1,051	698
Development property	12	-	10,163
Mineral property	13	6,496	-
Total assets		\$ 19,627	\$ 18,743
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5,14	\$ 4,033	\$ 4,603
Tax payable		304	258
Promissory note	5,16	894	985
Loan payable	5,15	-	3,366
		5,231	9,212
Loan payable	5,15	2,440	-
Warrant liability	5,17	684	318
Decommissioning obligation		1,887	1,874
Total liabilities		10,242	11,404
Shareholders' equity			
Share capital	18	133,373	132,648
Contingent share consideration	23	3,305	3,305
Reserves		9,283	7,241
Deficit		(136,576)	(135,855)
Total shareholders' equity		9,385	7,339
Total liabilities and shareholders' equity		\$ 19,627	\$ 18,743

Nature of operations and going concern (note 1)

Commitment and contingencies (note 23)

Subsequent events (note 25)

Approved by the Board of Directors

"Keith Piggott" Director

"Corry Silbernagel" Director

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

Goldgroup Mining Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Income

(Loss)

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2016	2015	2016	2015
Revenue					
Gold sales		\$ 4,544	\$ -	\$ 4,544	\$ -
Silver sales		281	-	281	-
		4,825	-	4,825	-
Cost of operation					
Cost of sales	20	\$ (3,793)	\$ -	\$ (3,793)	\$ -
Depreciation and depletion	9,13	(251)	-	(251)	-
		781	-	781	-
Depreciation	9	(5)	(68)	(10)	(139)
Share-based compensation	18	(28)	(54)	(66)	(153)
General and administrative		(279)	(266)	(552)	(524)
Salary and consulting		(245)	(362)	(425)	(555)
Professional fees		(372)	(204)	(432)	(582)
Exploration expense		-	(23)	-	(39)
Loss on settlement of debt		-	-	(69)	-
Impairment of available for sale investments		-	(4,340)	-	(4,340)
Gain (loss) on disposal of available for sale investments	7	343	(144)	393	(144)
Finance cost	21	(560)	(719)	(856)	(2,064)
Gain on settlement of accounts payable		-	37	-	37
Gain on disposition of subsidiaries		-	-	91	-
Gain from disposal of property and equipment		-	10	-	40
Unrealized derivative (loss) gain – warrant liability	17	(575)	113	(314)	431
Foreign exchange gain (loss)		84	(85)	384	(299)
Other income		393	43	392	19
Loss before income taxes		(463)	(6,062)	(683)	(8,312)
Income taxes expense – current		(21)	(98)	(38)	(148)
Income taxes expense – future		-	-	-	(292)
Net loss		(484)	(6,160)	(721)	(8,752)
Other comprehensive (loss) income (“OCI”)					
Unrealized gain (loss) on available for sale investments	7	1,302	(1,970)	2,322	(6,437)
Reclassification of (gain) loss on disposal included in net loss	7	(343)	144	(393)	144
Reclassification of impairment losses included in net loss		-	4,340	-	4,340
Net income (loss) and comprehensive income (loss)		475	(3,646)	1,208	(10,705)
Loss per share – Basic and diluted		\$ (0.00)	\$ (0.04)	\$ (0.00)	\$ (0.06)
Weighted average shares outstanding (000’s)					
Basic and diluted		180,485	145,095	176,642	145,095
Total shares issued and outstanding (000’s)		180,558	145,095	180,558	145,095

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

Goldgroup Mining Inc.

Condensed Interim Consolidated Statements of Cash Flows

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2016	2015	2016	2015
Cash provided by (used from) operating activities					
Net loss for the period		\$ (484)	\$ (6,160)	\$ (721)	\$ (8,752)
Items not affecting cash					
Depreciation	9	84	68	89	139
Depletion		162	-	162	-
Deferred tax expense		-	-	-	292
Share-based compensation charges	18	28	54	66	153
Gain on disposition of subsidiaries		-	-	(91)	-
Loss on settlement of debt		-	-	69	-
Finance cost - Decommissioning obligation		7	-	7	-
Unrealized foreign exchange gain		(3)	11	(224)	10
Finance cost		539	888	829	2,064
Unrealized derivative (gain) loss – warrant liability		575	(113)	314	(431)
Gain on settlement of Accounts Payable		-	(37)	-	(37)
Impairment of available for sales investments		-	4,340	-	4,340
(Gain) loss on disposal of available for sale investments		(343)	144	(393)	144
Other		5	(10)	5	(40)
Change in non-cash operating working capital					
Decrease (increase) in accounts receivable and prepaid		(1,603)	63	(1,580)	334
Decrease (increase) in inventory		(364)	(202)	(233)	(202)
Increase (decrease) in tax payable		14	(1,593)	47	(1,593)
Increase (decrease) increase in accounts payable and accrued		1,024	651	646	(2,262)
		(359)	(1,896)	(1,008)	(5,841)
Cash flows from financing activities					
Repayment of principle of promissory note		-	-	-	(500)
Repayment of interest on promissory note		-	(13)	-	(79)
Proceeds from option exercise	18	14	-	14	-
Repayment of loan payable	15	(1,168)	(77)	(1,168)	(3,077)
Transaction costs on loan payable		-	-	(5)	-
Repayment of interest and commitment fee on loan payable	15	(146)	(188)	(146)	(332)
		(1,300)	(278)	(1,305)	(3,988)
Cash flows used in investing activities					
Proceeds from disposal of equipment		-	11	-	44
Purchase of property, plant and equipment	9	(187)	(219)	(189)	(343)
Proceeds of sale of subsidiaries		-	-	65	-
Proceeds on sale of available for sale investments	7	1,324	269	1,510	269
Increase in loans receivable	8	162	(2,101)	198	(2,101)
Developing and operating on mining operation		(730)	(1,585)	(4,830)	(3,564)
Recovery from pre-production sales	13	1,142	2,018	5,284	4,063
Exploration and evaluation property		(202)	-	(318)	-
Increase (decrease) in restricted cash		-	286	420	(630)
		1,509	(1,321)	2,140	(2,262)

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

Goldgroup Mining Inc.

Condensed Interim Consolidated Statements of Cash Flows

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

Decrease in cash and cash equivalents		(150)	(3,495)	(173)	(12,091)
Cash and cash equivalents – beginning of period		199	4,263	222	12,859
Cash and cash equivalents – end of period		\$ 49	768	\$ 49	768
Supplemental cash flow information					
Depreciation capitalized to development properties		\$ -	\$ 269	\$ 41	\$ 465
Depreciation and depletion included in inventory		(146)	-	(146)	-
Mineral property expenditures accrued		2,358	3,057	2,358	3,057
Exploration expenditures accrued		35	-	35	-
Shares issuance – repayment of promissory note	15	-	-	145	-
Shares issuance – transaction costs on facility extension	14	-	-	442	-
Shares issuance – repayment of IVA payable	15	-	-	55	-
Other comprehensive income related to investment revaluation		804	-	1,929	-
Warrants issued for loan payable	14	-	-	53	-
Development property reclassified to mineral property		6,765	-	6,765	-
Development property reclassified to inventory		1,911	-	1,911	-
Accretion expense capitalized	11	-	6	6	11

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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 23(d))	Share based compensation reserves	Foreign currency translation reserves	Investment revaluation reserves	Deficit	Total equity
December 31, 2015		167,095	\$ 132,648	\$ 3,305	\$ 7,596	\$ (355)	\$ -	\$ (135,855)	\$ 7,339
Net loss for the period		-	-	-	-	-	-	(721)	(721)
Stock options exercised	18	130	14	-	-	-	-	-	14
Unrealized gain on investments	7	-	-	-	-	-	2,322	-	2,322
Gain on disposal of investments	7	-	-	-	-	-	(393)	-	(393)
Shares issued on facility extension	15	8,642	442	-	-	-	-	-	442
Shares issued on settlement of Oroco	16	4,691	269	-	-	-	-	-	269
Cumulative translation adjustment		-	-	-	-	47	-	-	47
Share-based compensation	18	-	-	-	66	-	-	-	66
Balance at June 30, 2016		180,558	\$ 133,373	\$ 3,305	\$ 7,662	\$ (308)	\$ 1,929	\$ (136,576)	\$ 9,385
December 31, 2014		145,095	\$ 129,999	\$ 5,572	\$ 7,353	\$ (355)	\$ 1,953	\$ (109,725)	\$ 34,797
Net loss for the period		-	-	-	-	-	-	(8,752)	(8,752)
Impairment of investment	7	-	-	-	-	-	4,340	-	4,340
Unrealized gain on investments	7	-	-	-	-	-	(6,437)	-	(6,437)
Loss on disposal of investment	7	-	-	-	-	-	144	-	144
Share-based compensation	18	-	-	-	153	-	-	-	153
Balance at June 30, 2015		145,095	\$ 129,999	\$ 5,572	\$ 7,506	\$ (355)	\$ -	\$ (118,477)	\$ 24,245

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

Goldgroup Mining Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the period ended June 30, 2016 and 2015

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

1 Nature of operations and going concern

Nature of operations

Goldgroup Mining Inc. is the parent company of its consolidated group ("Goldgroup" or the "Company"). Goldgroup was incorporated in Quebec under the Business Corporations Act (Québec) and on July 28, 2011 it was continued under the Business Corporations Act (British Columbia). Its head office is located at Suite 1502 – 1166 Alberni Street, Vancouver BC, V6E 3Z3. Goldgroup together with its subsidiaries, is a Canadian-based gold producer and is focused on the acquisition, exploration and development of advanced stage gold-bearing mineral properties in the Americas. The Company's current gold production and exploration and development related activities are conducted exclusively in Mexico. Goldgroup owns the Cerro Colorado mine in Sonora, along with a property portfolio that includes a 100% interest in the Cerro Prieto project in Sonora, 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 \$136,576 at June 30, 2016 (December 31, 2015 – \$135,855). In addition, as at June 30, 2016, the Company has working capital of \$109 (December 31, 2015 – deficiency of \$7,170). 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 11). These matters result in material uncertainties which may cast significant doubt about the Company's on its ability to continue as a going concern. These financial statements do not include any adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

2 Basis of presentation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted and these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015.

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, 2015. 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, 2015.

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

These unaudited condensed consolidated financial statements were approved for issue by the Board of Directors on August 15, 2016.

Goldgroup Mining Inc.

Notes to Condensed Consolidated Interim Financial Statements

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New Accounting Standards Issued But Not Yet Effective

IFRS 15 Revenue from Contracts with Customers - In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. In September 2015, the IASB deferred the effective date of the standard to annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. We are currently assessing the impact on our consolidated financial statements along with the planned timing of our adoption of IFRS 15.

IFRS 16 Leases - In January 2016, the IASB issued IFRS 16 Leases, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied or is applied at the same date as IFRS 16. We are currently assessing the impact on our consolidated financial statements along with timing of our adoption of IFRS 16.

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

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

3 Estimates, risks and uncertainties

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

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

Significant judgments in applying accounting policies

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

(i) Impairment of assets

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

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

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

(iii) Functional currency

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

(iv) Commencement of commercial production

Costs associated with the commissioning of new assets, in the pre-commercial period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues. Commercial production is deemed to have occurred when management determines that, amongst other items, the completion of operational commissioning of major mine components has been reached, operating results, which includes the grade and volume of material mined, are being achieved consistently for a period of time, and there are indicators that these operating results will continue, all of which involve management judgments. The Company has determined that it reached commercial production on April 1, 2016 for accounting purposes.

Key sources of Estimation Uncertainty

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

(i) Mineral resource estimation

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

(ii) Depreciation and depletion

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

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

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

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Notes to Condensed Consolidated Interim Financial Statements

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(iii) Inventories

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

Costs are attributed to the leach pads based on current mining costs, including applicable depreciation and depletion relating to mining operations incurred up to the point of placing the ore on the pad. Costs are removed from the leach pad based on the average cost per recoverable ounce of gold on the leach pad as the gold is recovered. Estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the pads, the grade of ore placed on the leach pads and an estimated percentage of recovery. Timing and ultimate recovery of gold contained on leach pads can vary significantly from the estimates. The quantities of recoverable gold placed on the leach pads are reconciled to the quantities of gold actually recovered (metallurgical balancing), by comparing the grades of ore placed on the leach pads to actual ounces recovered. The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time. The ultimate recovery of gold from a pad will not be known until the leaching process is completed.

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

(iv) Decommissioning and restoration provision

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

(v) Share-based payments

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

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

(vi) Contingencies

Due to the size, complexity and nature of the Company’s operations, various legal and tax matters are outstanding from time to time. In the event that management’s estimate of the future resolution of these matters changes, the Company will recognize the effects of the changes in its consolidated financial statements on the date such changes occur. In the fourth quarter of 2012, the Mexican government amended the Federal labour law regarding subcontracting arrangements to 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

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profit sharing within Mexico. The Company has assessed the implications of these amendments and has determined that it is probable that no additional obligation for statutory profit sharing payments is required to be recorded by the Company.

(vii) Deferred taxes

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

4 Other receivables and prepaid expenses

		June 30, 2016	December 31, 2015
Current asset			
Financial assets			
Other receivables	\$	653	\$ 40
Employee receivables		36	28
Non-Financial assets			
Value-added tax receivables		375	390
Corporate tax receivables		74	154
Total receivables		1,138	612
Prepaid expenses		1,137	63
	\$	2,275	\$ 675
Non-current assets			
Non-Financial assets			
Value-added tax receivables	\$	1,498	\$ 1,559
Other receivables		432	-
Corporate tax receivables		298	616
	\$	2,228	\$ 2,175

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Notes to Condensed Consolidated Interim Financial Statements

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5 Financial instruments

Fair values of financial instruments

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

	Fair Value Hierarchy Level	June 30, 2016	December 31, 2015
Financial assets			
<i>Loans and receivables</i>			
Cash ⁽¹⁾	N/A	\$ 49	\$ 222
Restricted cash ⁽¹⁾⁽²⁾	N/A	-	420
Receivables ⁽¹⁾	N/A	653	40
Loans receivable ⁽⁴⁾	N/A	961	1,084
<i>Available-for-sale</i>			
Investments	Level 1	2,710	1,751
Financial liabilities			
<i>Other financial liabilities</i>			
Accounts payable & accrued liabilities ⁽¹⁾	N/A	4,033	4,603
Promissory note ⁽⁴⁾	N/A	894	985
Loan payable ⁽⁴⁾	N/A	2,440	3,366
<i>Derivative</i>			
Warrant liability ⁽³⁾	Level 3	684	318

- (1) The carrying value of cash, restricted cash, receivables and accounts payable and accrued liabilities approximates fair value due to the short-term nature of these items.
- (2) Restricted cash was held in a separate guaranteed investment certificate as collateral for a letter of credit entered into to purchase equipment during the period.
- (3) The Company applies a standard Black-Scholes model to value the warrant liability as described in Note 17.
- (4) Loans receivable, loans payable and promissory note are presented on an amortized cost basis and will be accreted to its face amount over the term to maturity of the loan at an effective interest rate.

Credit Risk

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 24. The accounts payable and income taxes payable are due within the current operating period.

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Market Risk

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

Price Risk

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

Commodity Price Risk

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

Interest Rate Risk

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

Foreign Exchange Risk

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

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

The Company's financial assets and liabilities as at June 30, 2016 are denominated in United States Dollars, Canadian Dollars, and Mexican Pesos, and are set out in the following table:

	Canadian Dollars	US Dollars	Mexico Pesos	Total
Financial assets				
Cash	\$ 30	\$ 13	\$ 6	\$ 49
Receivables - other	38	450	165	653
Loans receivable	961	-	-	961
Investments	2,710	-	-	2,710
	3,739	463	171	4,373
Financial liabilities				
Accounts payables and accrued liabilities	(649)	(2,496)	(888)	(4,033)
Loan payable	-	(2,440)	-	(2,440)
Promissory note	-	(894)	-	(894)
Net financial (liabilities) assets	\$ 3,090	\$ (5,367)	\$ (717)	\$ (2,994)

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The Company's financial assets and liabilities as at December 31, 2015 are denominated in United States Dollars, Canadian Dollars, and Mexican Pesos, and are set out in the following table:

	Canadian Dollars	US Dollars	Mexico Pesos	Total
Financial assets				
Cash and cash equivalent	\$ 88	\$ 112	\$ 22	\$ 222
Restricted cash	-	420	-	420
Receivables - other	4	30	6	40
Loans receivable	1,084	-	-	1,084
Investments	1,751	-	-	1,751
	2,927	562	28	3,517
Financial liabilities				
Accounts payables and accrued liabilities	(542)	(1,796)	(2,265)	(4,603)
Loan payable	-	(3,366)	-	(3,366)
Promissory note	-	(985)	-	(985)
Net financial (liabilities) assets	\$ 2,385	\$ (5,585)	\$ (2,237)	\$ (5,437)

The Company's reported results will be affected by changes in the US dollar to Canadian dollar and US dollar to Mexican Pesos exchange rate. As of June 30, 2016, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial assets by approximately \$309 (December 31, 2015 - \$239). 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 \$71 (December 31, 2015 - \$223) and a 10% depreciation of the Mexican Pesos would have had an equal but opposite effect. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risk.

The table below summarizes the maturity profile of the Company's non-derivative financial liabilities based on undiscounted payments. These amounts represent the future undiscounted principal and interest contractual cash flows and therefore do not equate to the carrying values shown in the statement of financial position.

June 30, 2016	Current – within 1 year	Non- current – 1 to 3 years
Accounts payables and accrued liabilities	\$ 4,033	\$ -
Loan payable	-	2,440
Tax payable	304	-
Promissory note	894	-
	5,231	2,440
December 31, 2015	Current – within 1 year	Non- current – 1 to 3 years
Accounts payables and accrued liabilities	\$ 4,603	\$ -
Loan payable	3,366	-
Tax payable	258	-
Promissory note	985	-
	\$ 9,212	-

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6 Inventory

	June 30, 2016	December 31, 2015
Consumables	\$ 638	\$ 725
Work in progress	1,705	-
Finished Goods	673	-
	3,016	725

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 Prieto project in Mexico. Inventory at commencement of commercial production was estimated to be \$1,911. During the period ended June 30, 2016 the Company recorded \$nil impairment of inventory.

7 Investments

	January 1, 2016 Fair value	Disposed	OCI (before tax)	FX and other	June 30, 2016 Fair value
Oroco common shares	\$ 72	\$ -	\$ 75	\$ 6	\$ 153
Timmins Gold common shares	1,679	(1,510)	2,247	141	2,557
	\$ 1,751	\$ (1,510)	\$ 2,322	\$ 147	\$ 2,710
	January 1, 2015 Fair value	Disposed	OCI (before tax)	FX and other	December 31, 2015 Fair value
Oroco common shares	\$ 182	\$ -	\$ (110)	\$ -	\$ 72
Oroco share purchase warrants	6	-	(6)	-	-
Timmins Gold common shares	15,653	(1,135)	(12,839)	-	1,679
	\$ 15,841	\$ (1,135)	\$ (12,955)	\$ -	\$ 1,751

As at June 30, 2016 the Company holds 5,000,000 common shares of Oroco Resource Corp. ("Oroco") and 6,927,550 common shares of Timmins Gold Corp. ("Timmins Gold").

During period ended June 30, 2016 the Company sold 5,254,500 (2015 - 440,000) Timmins Gold Corp. shares for total proceeds of \$1,510 (2015 - \$269). The amount of OCI recognized as a loss was \$393 (2015 – gain of \$144).

During the period ended June 30, 2016, the 9,503,200 held in escrow by Credipresto as collateral for the loan facility (note 15), were released to the Company.

8 Loans receivable

	Notes	June 30, 2016	December 31, 2015
Loans Receivable			
Monarch Gold Corp.		\$ 1,084	\$ 2,033
Repayment of loan		(198)	-
Discount of Monarch Loan	21	-	(749)
Foreign exchange		75	(200)
		\$ 961	\$ 1,084

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On June 16, 2015, the Company signed a letter of intent (“LOI”) with Monarch Gold Corp. (“Monarch”), a privately held mining company with mining concessions in Canada. Pursuant to the terms of the LOI, the Company would invest CAD\$100 in Monarch in order to acquire 50% of Monarch’s issued and outstanding common shares. The LOI also contemplated that the Company would advance another CAD\$1,400 to Monarch on substantially the same terms as the Secured Loan, subject to the completion of the Company’s ongoing due diligence and other conditions precedent.

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

During the period ended June 30, 2016, the Company consented to the restructuring and sale by Monarch of substantially all of its assets and operations to Cascadia Goldfields Company Ltd. (“Cascadia”). Pursuant to the restructuring and sale, Cascadia assumed the obligations of Monarch in respect of a CAD \$2,500 loan previously made by the Company to Monarch, which is now overdue, and granted security in favour of the Company over all of the assets and operations acquired by Cascadia. Pursuant to the restructured loan, Cascadia will be obligated to pay CAD\$1,500 in cash; in addition, to a royalty and common shares of Cascadia. Pursuant to the restructured loan, Cascadia will be obligated to make the following payments:

Due date	Payment
May 3, 2016 (received)	CAD \$250
August 1, 2016 (received subsequent to period end)	CAD \$425
October 31, 2016	CAD \$425
December 30, 2016	CAD \$400
December 31, 2017	CAD \$1,000*
Total	CAD \$2,500

*CAD \$1,000 consists of CAD \$500 in equity of Cascadia; and a 2.5% net smelter returns royalty (“NSR”) beginning on December 31, 2017 with a capped payment of CAD \$500.

9 Property and equipment

	Cost December 31, 2014	Additions	Impairment	Disposals	December 31, 2015	Additions	Disposals	June 30, 2016
Plant and mining equipment	\$ 8,992	\$ 1,337	\$ -	\$ -	\$ 10,329	\$ 7	\$ -	\$ 10,336
Machinery	1,471	-	-	(297)	1,174	176	-	1,350
Office and furniture	251	-	-	-	251	2	-	253
Vehicles	905	-	-	(112)	793	6	-	799
Lab equipment	72	-	-	-	72	-	-	72
	\$ 11,691	\$ 1,337	\$ -	\$ (409)	\$ 12,619	\$ 191	\$ -	\$ 12,810
	Acc. Dep. December 31, 2014	Depreciation	Impairment	Disposals	December 31, 2015	Depreciation	Disposals	June 30, 2016
Plant and mining equipment	\$ 8,238	\$ 713	\$ 627	\$ -	\$ 9,578	\$ 155	\$ -	\$ 9,733
Machinery	1,325	36	66	(297)	1,130	9	-	1,139
Office and furniture	228	4	-	-	232	6	-	238
Vehicles	866	25	-	(108)	783	10	-	793
Lab equipment	65	1	-	-	66	-	-	66
	\$ 10,722	\$ 779	\$ 693	\$ (405)	\$ 11,789	\$ 180	\$ -	\$ 11,969

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Depreciation on plant and equipment for the six months period ended June 30, 2016 is \$180 (2015 - \$497) of which \$81 (2015 - \$nil) is recorded as a cost of operation, \$10 (2015 - \$32) is recorded as depreciation expense, \$48 (2015 - \$nil) is included in inventory and \$41 (2015 - \$465) is capitalized to the Cerro Prieto property (note 12), prior to the commencement of commercial production.

Carrying amount	June 30, 2016	December 31, 2015
Plant and mining equipment	\$ 603	\$ 751
Machinery	211	44
Office and furniture	15	19
Vehicles	6	10
Lab equipment	6	6
	\$ 841	\$ 830

10 Exploration and evaluation assets

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

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

Option agreement terms

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

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

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- \$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).

	El Mozo Expenditures
Balance December 31, 2015	\$ 698
Capitalized costs	353
Balance June 30, 2016	\$ 1,051

11 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.

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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.

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12 Development property

Carrying amount	Cerro Prieto
Balance, December 31, 2014	\$ 15,601
Depreciation capitalized	775
Mine operations	6,608
Plant and lab	2,439
Engineering	1,275
Geology	17
Crusher	1,004
Royalties	80
Restoration	23
Other	136
Increase in decommissioning obligation	748
Impairment	(7,858)
Gold Sales (pre-production)	(10,685)
Balance December 31, 2015	\$ 10,163
Depreciation capitalized	41
Mine operations	872
Plant and lab	427
Engineering	283
Crusher	228
Royalties	28
Restoration	6
Gold Sales (pre-production)	(5,283)
Re-class to mineral property upon commercial production (note 13)	(6,765)
Balance June 30, 2016	\$ -

Pursuant to an agreement (the “Oroco Agreement”) dated August 30, 2013 with Oroco, an unrelated TSX Venture Exchange listed company, Goldgroup acquired all of the issued and outstanding shares of Minera Polimetalicos Mexicanos S.A., thereby indirectly acquiring Minas de Oroco Resources SA de CV (“MOR”). MOR owns a 100% interest in the Cerro Prieto Project located in Sonora, Mexico, and is engaged in the exploration and development of that mineral property interest. The project has an existing 2% net smelter return royalty.

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13 Mineral property

Carrying amount	Cerro Prieto
Balance, December 31, 2015	\$ -
Reclassification from development property upon commercial production (note 12)	6,765
Depletion	(269)
Balance June 30, 2016	\$ 6,496

Cerro Prieto commenced commercial production on April 1, 2016 for accounting purpose.

14 Accounts payable and accrued liabilities

	June 30, 2016	December 31, 2015
Financial liabilities		
Trade payables and accrued liabilities	\$ 3,917	\$ 4,432
Oroco IVA payable (see note 16, 25)	116	171
	\$ 4,033	\$ 4,603

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

15 Loan payable

On September 22, 2014, the Company closed an agreement with two lenders (the "Lenders"), RMB Australia Holdings Limited. ("RMB") and Credipresto SAPI de CV SOFOM ENR ("Credipresto"), for a \$10,000 secured medium term loan facility (the "Facility"). The Facility is being funded 80% by RMB and 20% by Credipresto. Javier Reyes, a director of Goldgroup, is a principle of Credipresto. On November 30, 2015 RMB assigned their 80% portion of the Company's outstanding \$10,000 Facility Credipresto, giving Credipresto 100% ownership of the outstanding Facility. Prior to the closing of the assignment the Company obtained a \$400 bridge loan from Credipresto of which \$250 was repaid. The remaining \$150 was rolled into the Facility subsequent to assignment from RMB.

The total amount drawn down as at June 30, 2016 is \$7,934 (December 31, 2015 - \$7,663) which includes an additional draw of \$108 which have been added to the principal during the period ended June 30, 2016. The amount of outstanding principal as at June 30, 2016 \$3,160 (December 31, 2015 \$4,057).

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

Facility amended terms

- The Facility previously was set to mature on September 18, 2017 and was repayable in the amount of 25% of the outstanding amounts drawn (plus accrued interest) every three months commencing December 18, 2016. The Company has extended the repayment period by one year with the Facility now maturing on September 18, 2018 and is repayable in the amount of 25% of the outstanding amounts drawn (plus accrued interest) every three months commencing December 18, 2017;
- the Facility is available for drawdown through December 18, 2017; and
- the remaining terms of the Facility are unchanged with outstanding principal amount of the Facility accruing interest, in arrears, at an annualized rate of 15% on the portion of the Facility that is drawn down. The portion of the Facility which is not drawn down accrues interest, in arrears, at an annualized rate at 2% until December 18, 2017.

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

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

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

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

	June 30, 2016	December 31, 2015
Balance, January 1, 2016	\$ 3,366	\$ 4,444
Loan drawdown	108	663
Transaction cost	(495)	-
Finance cost – accretion expense of Facility (see note 21)	171	337
Finance cost – pro-rata write-off of transaction costs due to repayment (see note 21)	284	999
Finance cost – standby fees of Facility (see note 21)	22	68
Repayments – principal	(1,168)	(3,077)
Repayments – interest expense and standby fees	(146)	(626)
Interest expense (see note 21)	298	558
	\$ 2,440	\$ 3,366

16 Promissory note

Pursuant to the Cerro Prieto acquisition, a promissory note in the principal amount of \$1,500 (the "First Loan"), bearing simple interest at a rate of 8% per annum and payable in six equal monthly instalments of \$250 each, commencing on the later of January 31, 2015 and the first day of the month following the date the Cerro Prieto Project achieves production criteria. Interest will accrue on the principal amount of the First Loan from the date of closing of the Transaction and will be payable quarterly in arrears, on a declining balance, however, the Company's obligation to deliver such quarterly interest payments will be suspended until the Project achieves commercial production.

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

On September 30, 2015, the Company further amended the payment terms for the two promissory notes. Pursuant to the agreement, the Company would have until November 16, 2015 to enter into a formal debt payment agreement (the "Payment Agreement") with Oroco, pursuant to which it will:

- Pay Oroco \$300 on signing;
- Pay Oroco \$20 per month, commencing October 1, 2015 (payments due before signing of the formal agreement to accrue and be paid at signing), until September 15, 2016, with the balance of the remaining principal on or before that date;
- The outstanding principal will bear 12% interest, payable monthly in arrears; and

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- If the Payment Agreement is not signed by November 16, 2015, or if the Company fails to perform all of its obligations under the Payment Agreement, it will pay Oroco a CDN \$100 break fee;

On February 12, 2016, the Company issued 4,691,000 common shares valued at \$269 to settle debt of \$200, resulting in a loss on settlement of \$69. Of the \$200 debt satisfied, \$145 is allocated to the balance outstanding on the above two promissory notes. \$55 is related to the Mexican Value Added Tax (the “VAT Payable”) owed to Oroco pursuant to an Assignment of Debt Agreement between the Company and Oroco, whereby Oroco assigned to Goldgroup its rights to refunds stemming from certain IVA paid by Minas de Oroco S.A. de C.V. (the Company’s Mexican subsidiary acquired from Oroco Agreement). Under the IVA agreement, Oroco is entitled to 60% of the first CDN \$400 IVA refund (“First Split”). The Company settled the First Split by issuing Oroco 1,200,000 common shares, valued at \$210 in 2014. In addition, the Company will pay Oroco 50% of IVA refund in excess of CDN \$400 (“Second Split”). The Company may elect to settle Second Split through issuance of the Company’s common shares. As at June 30, 2016 the amount owing Oroco related to the Second Split is \$116 (December 31, 2015 - \$171) and is included in accounts payable and accrued liabilities (note 14).

The Company continues to negotiate the terms of the Promissory Notes with Oroco (note 25).

	June 30, 2016	December 31, 2015
Balance, beginning of period	\$ 985	\$ 1,503
Repayment	(145)	(550)
Interest expense (see note 21)	54	96
Interest paid	-	(100)
Accretion expense (see note 21)	-	36
	\$ 894	\$ 985

17 Warrant liability

	Number of warrants	Weighted average exercise price	Warrant liability (US\$)
Balance, December 31, 2014	17,729,011	\$ 0.34	\$ 704
Warrants expired	(2,000,000)	1.25	-
Change in fair value	-	-	(386)
Balance, December 31, 2015	15,729,011	\$ 0.22	\$ 318
Warrants cancelled	(9,000,000)	0.22	-
Warrants repriced	-	-	52
Change in fair value	-	-	314
Balance, June 30, 2016	6,729,011	\$ 0.18	\$ 684

Expiry date	Note	Number of warrants	Weighted average exercise price (C\$)
August 12, 2016	(i)	2,767,955	0.25
August 22, 2016	(i)	961,056	0.25
March 18, 2019	(ii)	3,000,000	0.10
Balance, June 30, 2016		6,729,011	\$ 0.18

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- i) In connection with the two tranches of the private placement in August 2014, the Company issued 3,729,011 warrants exercisable at a price of CDN\$0.25 per share, expiring up to August 22, 2016. These warrants were assigned a fair value of \$268 using the Black-Scholes Pricing Model. Subsequent to June 30, 2016, 3,250,880 warrants were exercised for proceeds of CDN \$812,720. See note 25.
- ii) In connection with the Facility amendment indicated in note 15, on March 2, 2016, the Company repriced 3,000,000 outstanding warrants held by Credipresto by (a) decreasing the exercise price from CAD \$0.19 to CAD \$0.10 and (b) delaying the expiration date by a year from March 18, 2018 to March 18, 2019. These warrants are no longer cancelable due to the Company having now drawn more than \$7,500 on the Facility. These warrants were assigned a fair value of \$53 using the Black-Scholes Pricing Model.

The fair value allocated to the warrants at June 30, 2016 was \$684 (December 31, 2015 - \$318) and is recorded as a derivative financial liability as these warrants are exercisable in Canadian dollars, differing from the Company's functional currency. The gain recognized in the statement of loss and comprehensive loss for the period ended June 30, 2016 is \$314 (2015 – gain of \$431).

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

	June 30, 2016	June 30, 2015
Expected option life	1.41 years	2.3 years
Expected stock price volatility	112%	88%
Dividend payment during life of option	Nil	Nil
Expected forfeiture rate	Nil	Nil
Risk free interest rate	0.63%	0.64%
Weighted average strike price	\$ 0.18	\$ 0.22
Weighted average fair value per warrant	\$ 0.13	\$ 0.03
Weighted average share price	\$ 0.28	\$ 0.10

18 Share Capital

(i) Share Capital

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

(ii) Share based compensation

The Company has adopted a share option plan for which options to acquire up to 10% of the issued share capital, at the award date, may be granted to eligible optionees from time to time. Generally, share options granted have a maximum term of five years, and a vesting period and exercise price determined by the directors. The exercise price may not be less than the closing quoted price of the Company's common shares traded through the facilities of the exchange on which the Company's common shares are listed. As at June 30, 2016, the remaining share options available for issue under the plan were 7,022,268 (December 31, 2015 – 3,574,460).

Total share options granted during the period ended June 30, 2016 were nil (2015 – 4,660,000). Total share-based compensation expense recognized for the fair value of share options granted and vested during the period ended June 30, 2016 was \$66 (2015 - \$153). During the period ended June 30, 2016 130,000 (2015 – nil) share-based options were exercised for proceeds of \$14 (2015 - \$nil). The fair value of the share options granted during the period ended June 30, 2016 and 2015 was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

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	June 30, 2016	June 30, 2015
Expected option life	-	2.5 years
Expected stock price volatility	-	88.53%
Dividend payment during life of option	-	Nil
Expected forfeiture rate	-	Nil
Risk free interest rate	-	0.48%
Weighted average strike price	-	\$ 0.15
Weighted average fair value per option	-	\$ 0.07
Weighted average share price	-	\$ 0.14

	June 30, 2016		December 31, 2015	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding - beginning of period	13,135,000	\$ 0.26	6,135,000	\$ 0.68
Granted	-	-	9,175,000	0.10
Exercised	(130,000)	0.12	-	-
Expired/Cancelled	(1,970,000)	1.08	(2,175,000)	0.79
Outstanding - end of period	11,035,000	\$ 0.11	13,135,000	\$ 0.26

The following table discloses the number of options and vested options outstanding as at June 30, 2016:

Exercise price (C\$/option)	Option Outstanding			Option Exercisable		
	Options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (C\$/option)	Options outstanding and exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price (C\$/option)
\$0.06 to \$0.70	10,985,000	3.68	\$ 0.11	7,652,500	3.47	\$ 0.11
\$1.16 to \$1.60	50,000	0.00	1.45	50,000	0.00	1.44
Outstanding - end of period	11,035,000	3.68	\$ 0.11	7,702,500	3.47	\$ 0.12

The following table discloses the number of options and vested options outstanding as at December 31, 2015:

Exercise price (C\$/option)	Option Outstanding			Option Exercisable		
	Options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (C\$/option)	Options outstanding and exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price (C\$/option)
\$0.06 to \$0.70	11,635,000	4.10	\$ 0.11	6,068,750	3.34	\$ 0.12
\$1.16 to \$1.60	1,500,000	0.48	1.40	1,500,000	0.48	1.40
Outstanding - end of period	13,135,000	3.68	\$ 0.26	7,568,750	2.99	\$ 0.38

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19 Related party transactions

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. The remuneration of the Company's directors and other key management personnel during the six months ended June 30, are as follows:

	2016	2015
Short-term employee benefits	\$ 60	\$ 100
Director's fees	56	53
Share-based compensation	56	133
Legal fees	39	54
Consulting fees	60	24

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

At June 30, 2016, trade and other accounts payable includes \$74 (December 31, 2015 - \$185) owing to a director and/or officer and/or companies controlled by the directors.

During the three and six months period ended June 30, 2016 the Company paid legal fees totalling \$20 (2015 - \$35) and \$39 (2015 - \$54) and consulting fees totalling \$30 (2015 - \$12) and \$60 (2015 - \$24) 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.

20 Cost of sales

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Mining	\$ 2,537	\$ -	\$ 2,537	\$ -
Crushing	681	-	681	-
Plant and Laboratory	1,490	-	1,490	-
Mine administration	463	-	463	-
Machine maintenance	637	-	637	-
Royalty	89	-	89	-
Change in inventory	(2,378)	-	(2,378)	-
Other	127	-	127	-
	\$ 3,646	\$ -	\$ 3,646	\$ -

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21 Finance cost

	Note	Three months ended June 30,		Six months ended June 30,	
		2016	2015	2016	2015
Accretion expense – promissory note	16	\$ -	\$ -	\$ -	\$ 36
Interest expense – promissory note	16	26	20	54	46
Accretion expense - Facility	15	357	99	455	1,238
Standby Fee – loan payable	15	10	15	22	30
Interest expense – Facility	15	147	173	298	302
Discount on issuance of Monarch Loan	8	-	412	-	412
Accretion - Decommissioning obligation		7	-	7	-
Other finance cost		13	-	20	-
		\$ 560	\$ 719	\$ 856	\$ 2,064

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22 Segmented disclosure

The Company operates in three geographical and two operating segments. The operating segments are managed separately based on the nature of operations. Exploration and development is primarily the Cerro Prieto project and includes the acquired El Mozo project.

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

	As at June 30, 2016				As at December 31, 2015			
	Canada	Mexico	Ecuador	Total	Canada	Mexico	Ecuador	Total
Assets								
Cash and cash equivalent	\$ 33	\$ 13	\$ 3	\$ 49	\$ 248	\$ (26)	\$ -	\$ 222
Investments	2,710	-	-	2,710	1,751	-	-	1,751
Other receivables and prepaids	94	4,396	13	4,503	70	2,780	-	2,850
Inventory	-	3,016	-	3,016	-	725	-	725
Restricted cash	-	-	-	-	420	-	-	420
Property and equipment	29	812	-	841	-	830	-	830
Loans receivable	961	-	-	961	1,084	-	-	1,084
Exploration and evaluation properties	-	-	1,051	1,051	-	-	698	698
Development property	-	-	-	-	-	10,163	-	10,163
Mineral property	-	6,496	-	6,496	-	-	-	-
Liabilities								
Accounts payable and accrued liabilities	(723)	(3,310)	-	(4,033)	(607)	(3,996)	-	(4,603)
Tax payable	-	(304)	-	(304)	-	(258)	-	(258)
Loan payable	(2,440)	-	-	(2,440)	(3,366)	-	-	(3,366)
Promissory note	(894)	-	-	(894)	(985)	-	-	(985)
Warrant liability	(684)	-	-	(684)	(318)	-	-	(318)
Decommissioning obligation	-	(1,887)	-	(1,887)	-	(1,874)	-	(1,874)

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Selected financial information by operating segments is as follows:

	As at June 30, 2016			As at December 31, 2015		
	Exploration & Development	Corporate	Total	Exploration & Development	Corporate	Total
Assets						
Cash and cash equivalent	\$ 16	\$ 33	\$ 49	\$ (26)	\$ 248	\$ 222
Investments	-	2,710	2,710	-	1,751	1,751
Accounts receivables and prepaids	4,409	94	4,503	2,780	70	2,850
Inventory	3,016	-	3,016	725	-	725
Restricted cash	-	-	-	-	420	420
Property and equipment	812	29	841	830	-	830
Loans receivable	-	961	961	-	1,084	1,084
Exploration and evaluation properties	1,051	-	1,051	698	-	698
Mineral property	6,496	-	6,496	-	-	-
Development properties	-	-	-	10,163	-	10,163
Total assets	15,800	3,827	19,627	15,170	3,573	18,743

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenue				
Mining operations	4,825	-	4,825	-
Loss before income taxes for the period				
Mining Operations	990	-	990	-
Exploration and development	-	(29)	(192)	(39)
Corporate	(1,474)	(6,033)	(1,519)	(8,273)
	\$ (484)	\$ (6,062)	\$ (721)	\$ (8,312)

23 Commitment and contingencies

In the normal course of its business activities, the Company is subject to claims and legal actions that may be made by or against its customers, suppliers and others. While the final outcome with respect to actions outstanding or pending as at June 30, 2016 cannot be predicted with certainty, the Company believes the resolution will not have a material effect on the Company's financial position, financial performance, or cash flows.

- During the period ended June 30, 2016, the Company entered into a new office lease agreement whereby the Company has a minimum lease payment of \$52 per year for the period August 1, 2016 to July 31, 2021.
- As part of ongoing surface rights land negotiations with local property owners, the Company's subsidiary has entered into surface land purchase agreements whereby it has agreed to pay a fee by October 25, 2013 and

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October 25, 2016 for specific surface rights. In October 2013 the Company's subsidiary and the local property owners agreed to defer the surface land rights payments, originally due on October 25, 2013, by six months each and up to another six months in the event that the Company has not commenced construction on the Caballo Blanco project. Subsequent to the sale of Caballo Blanco to Timmins Gold in 2014, the fees related to the surface right agreement remained unchanged. The Company is proceeding with ongoing discussions to modify the agreement to reduce the overall payment.

- c. In 2011, the Company acquired the Caballo Blanco project held previously by Almaden Minerals Ltd. ("Almaden"). As part of the consideration, the Company may have to issue up to an additional 7.0 million common shares of the Company upon achievement of certain project milestones. As a result the Company recorded a contingent share consideration of \$3,305 (2015 - \$3,305). Subsequent to the sale of 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.
- d. The Company is entitled to receive an additional contingent consideration from the 2014 Caballo Blanco sale of \$5.0 million ("Contingent Gain") that will become payable in cash, Timmins Gold shares, or a combination thereof (at the option of Timmins Gold, provided that the Company's ownership in Timmins Gold will not exceed 9.9% at any time) should any of the following events occur prior to October 31, 2019:
 - The approval of the Project's Environmental Impact Statement from SEMARNAT ("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

Although the Company may become entitled to the contingent payments, the value of these payments has not been recognized in the statement of financial position as at June 30, 2016 due to the level of uncertainty surrounding the conditions required for the payments.

On July 31, 2016, the Company sold the Contingent Gain to Credipresto for \$2.5 million in consideration. See note 25(a).

24 Capital management

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

The Company manages its capital structure and makes adjustments in light of changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the entity's capital requirements, the Company has in place a planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. As at June 30, 2016, the Company expects its capital resources will require additional support for its normal operating requirements, planned development and exploration of its mineral properties for the next twelve months. There are no externally imposed capital requirements to which the Company has not complied, other than the Promissory Notes which are currently being negotiated (note 16).

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25 Subsequent events

- a) On July 31, 2016, the Company sold the Contingent Gain (note 23(d)) to Credipresto for cash consideration of \$1,900, which was paid upon execution and the proceeds were used to pay back the principal of the Facility. An additional \$600 will be contingently payable to the Company by Credipresto when the owner of Caballo Blanco receives the Environmental Permit.
- b) On August 3, 2016, the Company received CAD \$425 from Cascadia as per the restructured loan agreement (note 8).
- c) On August 8, 2016, the Company has repaid the outstanding principal balance and related interest of the Facility (note 15).
- d) Subsequent to June 30, 2016, 3,250,880 warrants were exercised for proceeds of CDN \$812,720 (note 17).

Expiration date	Warrants outstanding	Exercise price CAD\$	Warrant exercised	Percentage of warrant exercised	Proceeds received by Goldgroup CAD\$
August 11, 2016	2,767,955	\$0.25	2,767,955	100%	\$691,988.75
August 22, 2016	961,056	\$0.25	482,925	50%	\$120,731.25

- e) On August 11, 2016, the Company has amended the Promissory Note (“Amended Note”) with Oroco with the following terms:
 - i) CAD \$100 (\$78) paid to Oroco upon execution of the Amended Note to settle the break fee under the Payment Agreement
 - ii) Paid Oroco \$116 to settle Oroco IVA payable (note 13) upon execution of the Amended Note
 - iii) Paid Oroco \$106 towards the outstanding principal and interest of the Promissory Note.

The Amended Note will have the following payment schedule (“Payment Schedule”):

Date	Amount (US\$)
September 30, 2016	\$25
October 31, 2016	\$25
November 7, 2016	\$200
December 30, 2016	\$25
January 6, 2017	\$200
February 28, 2017	\$25
March 31, 2017	\$25
April 30, 2017	\$25
May 31, 2017	\$25
June 30, 2017	Remainder of balance

If Goldgroup fails to fulfill its obligation under the Payment Schedule:

- i) Goldgroup shall pay Oroco a break fee equal to \$50; and
- ii) The new payment schedule will be revised to \$75 payable at the end of each calendar month; and
- iii) The entire remaining principal balance and interest will be payable on June 30, 2017.