



Goldgroup Mining Inc.

Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2019 and 2018
(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, 2019	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents	5	\$ 232	\$ 329
Other receivables and prepaid expenses	4,5	959	712
Investments	5,7	589	367
Inventory	6	2,483	2,453
		4,263	3,861
Receivables	4	1,743	1,674
Property, plant and equipment	8	2,039	2,557
Exploration and evaluation properties	9	2,562	2,524
Right of use asset	13	445	-
Mineral property	11	3,631	3,903
Total assets		\$ 14,683	\$ 14,519
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5,16	\$ 5,820	\$ 5,518
Tax payable		48	250
Decommissioning obligation		313	313
Lease liability	13	300	-
Loan payable	5,12	900	900
		7,381	6,981
Warrant liability	5,14	2	8
Loan payable	5,12	283	733
Lease liability	13	161	-
Decommissioning obligation		1,288	1,258
Total liabilities		9,115	8,980
Shareholders' equity			
Share capital	15	134,405	134,405
Contingent share consideration	20	3,305	3,305
Reserves		8,036	8,030
Deficit		(140,178)	(140,201)
Total shareholders' equity		5,568	5,539
Total liabilities and shareholders' equity		\$ 14,683	\$ 14,519

Nature of operations and going concern (note 1)

Commitments (note 20)

Approved by the Board of Directors

"Javier Reyes" Director

"Corry Silbernagel" Director

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

Goldgroup Mining Inc.

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

For the three and six months ended June 30,

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
Revenue					
Gold sales		\$ 4,844	\$ 5,936	\$ 9,487	\$ 11,355
Silver sales		110	254	187	583
		4,954	6,190	9,674	11,938
Cost of operation					
Cost of sales	17	(3,421)	(5,292)	(7,463)	(9,108)
Depreciation and depletion	8,11	(550)	(1,082)	(1,111)	(1,822)
		983	(184)	1,100	1,008
Depreciation	8	(2)	(2)	(4)	(4)
Share-based compensation	15,16	(3)	(15)	(6)	(65)
General and administrative		(258)	(215)	(313)	(497)
Salary and consulting	16	(245)	(272)	(351)	(555)
Professional fees	16	(343)	(371)	(614)	(466)
Gain on investments	7	461	161	573	229
Gain on disposal of property, plant and equipment		3	-	3	-
Finance cost	18	(86)	(78)	(182)	(154)
Unrealized derivative gain – warrant liability	14	2	55	6	21
Foreign exchange gain (loss)		19	59	(30)	16
Other income (expenses)		20	(12)	29	15
Income (loss) before income taxes		551	(874)	211	(452)
Income taxes (expense) recovery – current		(41)	(15)	(188)	(457)
Income taxes recovery (expense) – future		-	530	-	326
Net income (loss) and comprehensive loss		510	(359)	23	(583)
Income (loss) per share – Basic and diluted		\$ 0.00	\$ (0.00)	\$ 0.00	\$ (0.00)
Weighted average shares outstanding (000's)					
Basic and diluted*		185,137	185,137	185,137	185,137
Total shares issued and outstanding (000's)		185,137	185,137	185,137	185,137

*Potentially dilutive securities excluded in the diluted earnings per share calculation for the three and six months ended June 30, 2019 were 15,455,000 out-of-the-money options and 3,500,000 warrants.

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Goldgroup Mining Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the three and six months ended June 30,

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
Cash provided by operating activities					
Income (loss) for the period		\$ 510	\$ (359)	\$ 23	\$ (583)
Items not affecting cash					
Depreciation		211	980	772	1,398
Depletion		339	102	339	424
Deferred tax expense		-	(530)	-	(326)
Share-based compensation charges	15	3	15	6	65
Finance cost - Decommissioning obligation		15	5	30	9
Unrealized foreign exchange gain		13	3	47	7
Finance cost		30	72	110	144
Gain on investments	7	(461)	(161)	(573)	(229)
Unrealized derivative gain – warrant liability	14	(2)	(55)	(6)	(21)
Accretion on lease liability		39	-	39	-
Other		-	-	-	(1)
Change in non-cash operating working capital					
Decrease (increase) in accounts receivable and prepaid expenses		(365)	(259)	(316)	(655)
Decrease (increase) in inventory		(335)	617	(43)	836
Increase (decrease) in tax payable		(122)	125	(202)	(96)
Increase (decrease) increase in accounts payable and accrued liabilities		362	(115)	382	33
		237	440	608	1,005
Cash flows provided (used) by financing activities					
Repayment of Accendo loan	12	(225)	-	(450)	-
Repayment of interest on Accendo loan	12	(51)	-	(110)	-
Lease payments		(96)	-	(150)	-
		(372)	-	(710)	-
Cash flows provided (used) in investing activities					
Purchase of property, plant and equipment	8	(10)	(69)	(23)	(426)
Exploration and evaluation property – Batamote		-	-	-	(480)
Proceeds on sale of investments	7	360	-	360	-
Exploration and evaluation property – El Mozo		(77)	(215)	(332)	(328)
		273	(284)	5	(1,234)
Increase (decrease) in cash and cash equivalents		138	156	(97)	(229)
Cash and cash equivalents – beginning of period		94	991	329	1,376
Cash and cash equivalents – end of period		\$ 232	\$ 1,147	\$ 232	\$ 1,147
Cash		188	1,121	188	1,121
Cash equivalents		44	26	44	26
Cash and cash equivalents – end of period		\$ 232	\$ 1,147	\$ 232	\$ 1,147

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

Goldgroup Mining Inc.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

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

	Notes	Shares ('000)	Share capital	Contingent shares (Note 20)	Share based compensation reserves	Foreign currency translation reserves	Investment revaluation reserves	Deficit	Total equity
December 31, 2018		185,137	\$ 134,405	\$ 3,305	\$ 8,338	\$ (308)	\$ -	\$ (140,201)	\$ 5,539
Income for the period		-	-	-	-	-	-	23	23
Share-based compensation	15	-	-	-	6	-	-	-	6
Balance as at June 30, 2019		185,137	\$ 134,405	\$ 3,305	\$ 8,344	\$ (308)	\$ -	\$ (140,178)	\$ 5,568
December 31, 2017		185,137	\$ 134,405	\$ 3,305	\$ 8,260	\$ (308)	\$ (37)	\$ (136,940)	\$ 8,685
Reclass of investment revaluation reserve to deficit		-	-	-	-	-	37	(37)	-
Loss for the period		-	-	-	-	-	-	(583)	(583)
Share-based compensation	15	-	-	-	65	-	-	-	65
Balance as at June 30, 2018		185,137	\$ 134,405	\$ 3,305	\$ 8,325	\$ (308)	\$ -	\$ (137,560)	\$ 8,167

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

Goldgroup Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2019 and 2018

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

1 Nature of operations and Going Concern

Nature of operations

Goldgroup Mining Inc. is the parent company of its consolidated group ("Goldgroup" or the "Company"). Goldgroup was incorporated in Quebec under the Business Corporations Act (Québec) and on July 28, 2011 it was continued under the Business Corporations Act (British Columbia). Its head office is located at Suite 1201 – 1166 Alberni Street, Vancouver BC, V6E 3Z3. Goldgroup together with its subsidiaries, is a Canadian-based gold producer and is focused on the acquisition, exploration and development of advanced stage gold-bearing mineral properties in the Americas. The Company's current gold production and exploration and evaluation related activities are conducted in Mexico and Ecuador. Goldgroup owns a property portfolio that includes a 100% interest in the operating Cerro Prieto project in Sonora, which commenced commercial production on April 1, 2016 for accounting purposes. The Company is listed on the Toronto Stock Exchange ("TSX") under the symbol "GGA".

Going Concern

The Company has experienced recurring operating losses and has an accumulated deficit of \$140,178 at June 30, 2019 (December 31, 2018 – \$140,201). In addition, as at June 30, 2019, the Company has working capital deficit of \$3,118 (December 31, 2018 – working capital deficit of \$3,120). Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. The continuing operations of the Company are dependent upon its ability to arrange additional financing and resolving the legal disputes with DynaResource, Inc. ("DynaUSA") (note 10). These matters result in material uncertainties which may cast significant doubt about the Company's on its ability to continue as a going concern. These financial statements do not include any adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the classifications used in the statement of financial position.

2 Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2018.

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its unaudited interim condensed consolidated financial statements. In addition, the preparation of the financial data requires that the Company's management make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Company's unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended December 31, 2018. 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, 2018.

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

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on August 14, 2019

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New Accounting Standards Adopted during the period

IFRS 16 – Leases

On January 1, 2019, the Company adopted IFRS 16 – Leases (“IFRS 16”) which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less), leases with certain variable lease payments and leases of low-value assets.

The Company applied IFRS 16 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company recognized lease liabilities related to its lease commitments for its office leases. The lease liabilities are measured at the present value of the remaining lease payments, discounted using the Company’s estimated incremental borrowing rate as at January 1, 2019, the date of initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets is measured at the lease liabilities amount. The Company has implemented the following accounting policies permitted under the new standard:

- leases of low dollar value will continue to be expensed as incurred; and
- the Company will not apply any grandfathering practical expedients.

As at January 1, 2019, the Company recognized \$572 in right-of-use assets and \$572 in lease liabilities as summarized below.

Minimum lease payments under operating leases as of December 31, 2018	\$ 680
Effect from discounting at the incremental borrowing rate as of January 1, 2019	<u>(108)</u>
Lease liabilities recognized as of January 1, 2019	572
<u>Right-of-use assets recognized as of January 1, 2019</u>	<u>\$ 572</u>

The lease liabilities were discounted at a discount rate of 15% as at January 1, 2019.

New accounting policy for leases under IFRS 16

The following is the accounting policy for leases as of January 1, 2019 upon adoption of IFRS 16:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

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- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

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

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

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

(iii) Functional currency

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

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(i) 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 processes material extracted from an exploration and evaluation property (Batamote) through the mill of the adjacent Cerro Prieto production property. The costs associated with the Batamote option payments are amortized through depreciation and depletion over the term of each option period. The revenue generated from the Batamote property is recognized as revenue through profit and loss.

Key sources of Estimation Uncertainty

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

(i) Mineral Reserves Estimation

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

(ii) Depreciation and depletion

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

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

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

(iii) Inventories

Expenditures incurred, and depreciation and depletion of assets used in mining and processing activities are deferred and accumulated as the cost of ore in stockpiles, ore on leach pads, in-process and finished metal inventories. These deferred 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.

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The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time. The ultimate recovery of gold from a pad will not be known until the leaching process is completed.

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

(iv) Decommissioning and restoration provision

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

(v) Share-based payments

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

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

(vi) Contingencies

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

(vii) Deferred taxes

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

(viii) Impairment

Non-current assets are tested for impairment if there is an indicator of impairment, and in the case of goodwill, at least annually. The impairment analysis requires the use of estimates and assumptions, including amongst others, long-term commodity prices, discount rates, length of mine life, future production levels, future operating costs, future capital expenditures and tax estimates. The estimates and assumptions are subject to risk and uncertainty; hence, there is the

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possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances the carrying value of the assets may be impaired or a prior period's impairment charge reversed with the impact recorded in profit or loss.

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

(ix) Valuation of right-of-use asset and lease liabilities

The application of IFRS 16 requires the Company to make judgments that affect the valuation of the right-of-use assets and the valuation of lease liabilities. These include: determining agreements in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

The lease term determined by the Company is comprised of the non-cancellable period of lease agreements, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

The present value of the lease payment is determined using a discount rate representing the rate of its loan payable observed in the period when the lease agreement commences or is modified.

4 Other receivables and prepaid expenses

	June 30, 2019	December 31, 2018
Current asset		
Financial assets		
Other receivables	\$ 268	\$ 45
Employee receivables	37	29
Non-Financial assets		
Value-added tax receivables	183	133
Corporate tax receivables	55	78
Total receivables	543	285
Prepaid expenses	416	427
	\$ 959	\$ 712
Non-current assets		
Non-Financial assets		
Value-added tax receivables	\$ 733	\$ 531
Other receivables	790	830
Corporate tax receivables	220	313
	\$ 1,743	\$ 1,674

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5 Financial instruments

Fair values of financial instruments

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

	Fair Value Hierarchy Level	June 30, 2019	December 31, 2018
Financial assets			
<i>Amortized cost</i>			
Cash and cash equivalents ⁽¹⁾	N/A	232	329
Receivables ⁽¹⁾	N/A	305	74
<i>Fair value through profit or loss</i>			
Investments	Level 1	589	367
Financial liabilities			
<i>Other financial liabilities</i>			
Accounts payable & accrued liabilities ⁽¹⁾	N/A	5,820	5,518
Loan payable ⁽³⁾	N/A	1,183	1,633
<i>Derivative</i>			
Warrant liability ⁽²⁾	Level 3	2	8

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

(2) The Company applies a standard Black-Scholes model to value the warrant liability as described in note 14.

(3) Loans payable is presented on an amortized cost basis and will be accreted to its face amount over the term to maturity of the loan at an effective interest rate.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, and receivables. The majority of the Company's cash and cash equivalents are held through large Canadian financial institutions. Receivables are primarily due from government agencies.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in note 21. The accounts payable and income taxes payable are due within the current operating period. The Company is exposed to liquidity risk.

Market Risk

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

Price Risk

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

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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, Mexico and Ecuador and is exposed to foreign exchange risk arising from transactions denominated in foreign currencies. The operating results and the financial position of the Company are reported in United States dollars. Fluctuations of the operating currencies in relation to the United States dollar will have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities.

The Company's financial assets and liabilities as at June 30, 2019 are denominated in United States Dollars, Canadian Dollars, and Mexican Pesos, and are set out in the following table:

	Canadian Dollars	US Dollars	Mexico Pesos	Total
Financial assets				
Cash and cash equivalents	\$ 99	\$ 111	\$ 22	\$ 232
Receivables - other	13	260	32	305
Investments	589	-	-	589
	701	371	54	1,126
Financial liabilities				
Accounts payable and accrued liabilities	(168)	(2,797)	(2,855)	(5,820)
Loan payable	-	(1,183)	-	(1,183)
Net financial (liabilities) assets	\$ 533	\$ (3,609)	\$ (2,801)	\$ (5,877)

The Company's financial assets and liabilities as at December 31, 2018 are denominated in United States Dollars, Canadian Dollars, and Mexican Pesos, and are set out in the following table:

	Canadian Dollars	US Dollars	Mexico Pesos	Total
Financial assets				
Cash and cash equivalents	\$ 30	\$ 294	\$ 5	\$ 329
Receivables - other	45	-	29	74
Investments	367	-	-	367
	442	294	34	770
Financial liabilities				
Accounts payable and accrued liabilities	(232)	(2,525)	(2,761)	(5,518)
Loan payable	-	(1,633)	-	(1,633)
Net financial (liabilities) assets	\$ 210	\$ (3,864)	\$ (2,727)	\$ (6,381)

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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, 2019, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial assets by approximately \$53 (December 31, 2018 - \$21). 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 assets by approximately \$280 (December 31, 2018 - \$272) and a 10% depreciation of the Mexican Pesos would have had an equal but opposite effect. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risk.

The table below summarizes the maturity profile of the Company's non-derivative financial liabilities.

June 30, 2019	Current – within 1 year	Non- current – 1 to 3 years
Accounts payable and accrued liabilities	\$ 5,820	\$ -
Loan payable	900	283
Tax payable	48	-
	\$ 6,768	\$ 283

December 31, 2018	Current – within 1 year	Non- current – 1 to 3 years
Accounts payable and accrued liabilities	\$ 5,518	\$ -
Loan payable	900	733
Tax payable	250	-
	\$ 6,668	\$ 733

6 Inventory

	June 30, 2019	December 31, 2018
Consumable supplies	\$ 729	\$ 793
Work in progress	1,330	1,228
Finished goods	424	432
	\$ 2,483	\$ 2,453

Cost of sales represents the amount of product inventory recognized as an expense. All of the Company's inventory on hand are located at the Cerro Prieto mine in Mexico. During the period ended June 30, 2019 \$61 (2018 -\$182) impairment was recorded in inventory.

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7 Investments

	December 31, 2018 Fair value	Disposed	Gain/(Loss)	Foreign exchange	June 30, 2019 Fair value
Oroco common shares	\$ 367	\$ (360)	\$ 573	\$ 9	\$ 589
	December 31, 2017 Fair value	Disposed	Gain/(Loss)	Foreign exchange	December 31, 2018 Fair value
Oroco common shares	\$ 159	\$ -	\$ 228	\$ (20)	\$ 367

As at June 30, 2019 the Company held 1,607,500 (2018 – 2,500,000) common shares of Oroco Resource Corp. During the period ended June 30, 2019 the Company sold 892,500 shares for proceeds of \$360.

8 Property, plant and equipment

Cost	December 31, 2017	Additions	Disposals	Write-off	December 31, 2018	Additions	Disposals	June 30, 2019
Plant and mining equipment	\$ 9,884	\$ 368	\$ -	\$ -	\$ 10,252	\$ 10	\$ -	\$ 10,262
Machinery	2,564	292	-	-	2,856	-	-	2,856
Office and furniture	251	8	-	(10)	249	-	-	249
Vehicles	1,032	12	-	(81)	963	13	(18)	958
Lab equipment	72	-	-	-	72	-	-	72
	\$ 13,803	\$ 680	\$ -	\$ (91)	\$ 14,392	\$ 23	\$ (18)	\$ 14,397

Depreciation	December 31, 2017	Depreciation	Disposals	Write-off	December 31, 2018	Depreciation	Disposals	June 30, 2019
Plant and mining equipment	\$ 8,140	\$ 644	\$ -	\$ -	\$ 8,787	\$ 306	\$ -	\$ 9,093
Machinery	1,549	384	-	-	1,933	200	-	2,133
Office and furniture	249	7	-	(10)	243	2	-	245
Vehicles	815	63	-	(78)	800	33	(18)	815
Lab equipment	71	1	-	-	72	-	-	72
	\$ 10,824	\$ 1,099	\$ -	\$ (88)	\$ 11,835	\$ 541	\$ (18)	\$ 12,358

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Depreciation on property, plant and equipment for the period ended June 30, 2019 is \$541 (2018 - \$538) of which \$384 (2018 - \$404) is recorded as a cost of the mine, \$4 (2018 - \$4) is recorded as depreciation expense and \$153 (2018 - \$130) is included in inventory.

Carrying amount	June 30, 2019	December 31, 2018
Plant and mining equipment	\$ 1,169	\$ 1,468
Machinery	723	923
Office and furniture	4	3
Vehicles	143	163
	\$ 2,039	\$ 2,557

9 Exploration and evaluation assets

	El Mozo Expenditures	Batamote	Ecuador Other	Total
Balance December 31, 2017	\$ 1,950	\$ 320	\$ 40	\$ 2,310
Acquisition costs	100	856	30	986
Capitalized costs	176	53	134	363
Depreciation	-	(1,135)	-	(1,135)
Balance December 31, 2018	2,226	94	204	2,524
Acquisition costs	-	165	-	165
Capitalized costs	81	-	51	132
Depreciation	-	(259)	-	(259)
Balance June 30, 2019	\$ 2,307	\$ -	\$ 255	\$ 2,562

El Mozo

During fiscal 2015 the Company signed the Definitive Agreement to acquire all of the issued and outstanding shares of 0990718 B.C. Ltd. (the "Vendors"), a company holding an 80% option interest in the El Mozo project in Ecuador, in exchange for the issuance of an aggregate of 5,500,000 common shares of the Company valued at \$382 to the shareholders of 0990718 pursuant to a share exchange agreement with the Vendors (the "Share Exchange Agreement"). In addition to the common shares, the Company granted to the Vendors an aggregate 1% net smelter revenue royalty ("NSR") on the Company's ownership portion in the El Mozo Project pursuant to an NSR agreement (the "Royalty Agreement"). Under the Royalty Agreement the Company has the right to repurchase the Vendors' NSR for consideration of:

- \$1,000 paid on or before the date permits for commercial production on the El Mozo Project are granted (the "Repurchase Date"); or
- \$1,500 paid on or before the date which is 30 months following the Repurchase Date; or
- \$2,500 paid on or before the date which is 42 months following the Repurchase Date.

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

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Option agreement terms

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

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

*The Company is currently renegotiating the 80% earn-in payment with the vendor.

These earn-in obligations must be fulfilled on or before June 13, 2019 and in the event that the Company does not fulfill an earn-in requirement the Option Agreement will terminate and any interest earned will be forfeited and revert to the Optionor. Upon successful earn-in on the El Mozo Project by 0990718, the Optionor has the right to convert its 20% interest in the El Mozo Project into a 2% NSR. If the Optionor converts its interest into a 2% NSR, 0990718 will have the right to purchase 50% of this NSR royalty by paying:

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

Batamote

During the year ended December 31, 2017, the Company entered into an option agreement to purchase a 100% ownership in an additional exploration property in close proximity to the Cerro Prieto mine for \$4,000. During the second quarter of 2018, the Company commenced extraction and operations on the project and as management determined that operating results, which includes the grade and volume of material mined, were being achieved consistently and there were indicators that these operating results will continue. The Company amortizes the option payments to depreciation and depletion over the term of each option.

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The option payments per the agreement are as follows:

Date	Obligation
Upon signing	• Payment of \$75 (Paid)
March 9, 2017	• Payment of \$37.5 (Paid)
April 9, 2017	• Payment of \$37.5 (Paid)
February 9, 2018	• Payment of \$428 (Paid)
August 9, 2018	• Payment of \$428 (Paid)
February 9, 2019	• Payment of \$428*
August 9, 2019	• Payment of \$428
February 9, 2020	• Payment of \$428
August 9, 2020	• Payment of \$428
February 9, 2021	• Payment of \$428
August 9, 2021	• Payment of \$428
February 9, 2022	• Payment of \$428

* During the period ended March 31, 2019, the Company renegotiated the \$428 February 9, 2019 payment to be \$100 on February 9, 2019 (paid) and then 5 subsequent \$65 payments until August 9, 2019, at which point the original contracted payment schedule would be followed. The February and March 2019 payments have been made. The Company ceased mining from Batamote at the end of the period ended March 31, 2019 and will no longer make any payments according to the above schedule.

10 Investments in associate - DynaMexico

The Company has a 50% equity interest in DynaMexico which owns 100% of an exploration project known as the San José de Gracia ("SJG") located in the state of Sinaloa, Mexico.

The other 50% equity holder of DynaMexico is DynaUSA. DynaUSA provides management and accounting services based on 2.5% of the cash expenditures incurred by DynaMexico.

As a result of the Company qualifying to earn its 50% equity interest on March 14, 2011, the board of directors of DynaMexico was to be expanded to five members with DynaUSA and the Company each appointing two members and mutually agreeing on one additional member. Currently there are only four members as the one additional member has yet to be added.

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

DynaResource alleged, among other things, that the Company has wrongfully used and disseminated confidential information and data belonging to DynaResource, and materially misrepresented Goldgroup's ownership interest in SJG. Goldgroup owns a 50% interest in DynaMexico, which owns 100% of SJG. Goldgroup has properly disclosed its interest in SJG, has not materially misrepresented it, and has not improperly used any DynaResource confidential information. Goldgroup denies all such allegations by DynaResource, has moved to dismiss the lawsuit, and intends to vigorously defend itself and its interests.

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On October 28, 2013 the Company announced that it filed a legal action before the appropriate criminal authorities in Mexico concerning recent activities undertaken by Koy Wilber Diepholz (“Diepholz”), shareholder, President and Chairman of the Board of Directors of DynaMexico and Chairman, Chief Executive Officer and Treasurer of DynaUSA. The purpose of the legal action case is to investigate whether illegal acts were committed by Diepholz, in his role as CEO of DynaMexico, for his own benefit and for the benefit of DynaUSA.

On March 11, 2014 DynaResource dropped its lawsuit against the Company.

On March 14, 2014 the Company filed for arbitration in Denver, Colorado, against DynaResource Inc. to protect its interests pursuant to the SJG earn-in option agreement dated September 1, 2006.

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

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

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

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

Results and Award from Arbitration

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

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

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

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

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

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

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

On May 9, 2019, the Company received a final judgment in the United States District Court for the District of Colorado confirming the Company's Results and Award from Arbitration discussed above.

Following the arbitration, DynaUSA filed documents in an attempt to convince the court to vacate the arbitration award. The May 9th order denied DynaUSA's motion to vacate the award and rejected the recommendation of a United States Magistrate Judge, who had agreed with DynaUSA that the arbitration award should be thrown out.

The court's order confirms all of the relief outlined in the August 2016 arbitration award, including DynaUSA having to: pay the Company \$404 in costs and attorney fees; pay the Company \$86 in separate fees and expenses; and pay DynaResource de Mexico, S.A. de C.V. ("DynaMexico")—an entity in which the Company owns a 50% equity interest—\$1,045 for various legal and other expenses that DynaUSA improperly caused DynaMexico to incur.

11 Mineral property

Carrying amount	Cerro Prieto
Balance, December 31, 2017	\$ 4,509
Change in estimate of reclamation obligation	(107)
Depletion	(499)
Balance, December 31, 2018	\$ 3,903
Depletion	(272)
Balance, June 30, 2019	\$ 3,631

The Cerro Prieto mine commenced commercial production on April 1, 2016 for accounting purposes. The project has an existing 2% NSR. In addition, there is a production royalty calculated as 20% of the difference between the market price of gold and \$1,250 per ounce up to a maximum of US\$90 per ounce of gold produced from the Cerro Prieto Project, of the greater of (i) the first 90,000 ounces of gold produced from the Project and (ii) all ounces of gold produced from the Cerro Prieto Project until the completion of five full years after certain criteria have been met. While the Company was temporarily processing material from Batamote (note 9) the Cerro Prieto mine is not being depleted.

12 Loan payable

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

The Facility has the following terms:

- The maturity of the Facility and the repayment schedule of outstanding principal thereunder shall be extended by one (1) year from the original facility, such that the new maturity date shall be September 18, 2019, with repayment instalments due quarterly starting December 18, 2018.

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- The interest rate applicable to all principal owing under the Facility is set at 15%.
- Upon closing, \$500,000 was drawn on the Facility, and \$1,000,000 of additional credit shall be made available to the Company under the Facility for the duration of the Facility term.
- The Company issued 3,500,000 warrants to the Credipresto, with the following substantive terms:
 - Each warrant is exercisable for the purchase of one common share in the capital of the Company at a price of C\$0.10 per share.
 - Each warrant will expire if not exercised by July 18, 2019.

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

	June 30, 2019	December 31, 2018
Balance, January 1	\$ -	\$ 1,070
Loan withdrawal	-	-
Transfer from original loans to combine into one facility	-	-
Transaction cost - warrants	-	-
Finance cost – standby fees	-	13
Finance cost - accretion expense	-	146
Finance cost - interest expense	-	150
Repayment	-	(1,379)
	\$ -	\$ -

During the year ended December 31, 2018, the Company closed an agreement with Accendo Banco S.A., Multiple Banking Institution (the "Accendo"), for a \$1,800 secured loan facility. Javier Reyes, a director of the Company, is the Chairman of Accendo. An initial drawdown of \$1,379 was used to repay the Credipresto facility and an additional \$421 was drawn for working capital.

The Accendo facility has the following terms:

- Amount USD \$1,800
- Term of 24 months
- Standby charge of 1.0% per annum on undrawn amounts
- Interest rate of 15% per annum
- The interest rate for overdue payments increases to 30% per annum
- Principal and interest must be repaid quarterly. (The principal is repaid in equal quarterly installments from drawdown with final payment October 2020).
- The credit amount can be requested in any increment with three days notice
- Every withdrawal will have a separate promissory note and repayment schedule
- The loan has senior security over all the assets of the Company

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	June 30, 2019	December 31, 2018
Balance, January 1	\$ 1,633	\$ -
Loan withdrawal	-	1,800
Interest expense	110	69
Interest paid	(110)	(63)
Repayment	(450)	(173)
	\$ 1,183	\$ 1,633
Amount classified as short-term	900	900
Long-term portion	\$ 283	\$ 733

13 Right of use asset and lease liability

Right of use asset - equipment	June 30, 2019	December 31, 2018
Opening balance	\$ -	\$ -
Recognized on adoption of IFRS 16	267	-
Less: depreciation	(67)	-
	\$ 200	\$ -

Right of use asset - office	June 30, 2019	December 31, 2018
Opening balance	\$ -	\$ -
Recognized on adoption of IFRS 16	305	-
Less: depreciation	(60)	-
	\$ 245	\$ -
Total right of use assets	\$ 445	\$ -

Lease liability	June 30, 2019	December 31, 2018
Lease liabilities	\$ 461	\$ -
Less: current portion	(300)	-
Classified as long-term liability	\$ 161	\$ -

Undiscounted lease payments	June 30, 2019	December 31, 2018
Not later than a year	\$ 300	\$ -
Later than a year	229	-
	\$ 529	\$ -

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The Company's leases relate to office and equipment leases. Interest expense on the lease liabilities for the six months ended June 30, 2019 is \$40 (2018 - \$nil). Depreciation of right-to-use assets is calculated using the straight-line method over the remaining lease term. During the period ended June 30, 2019, the Company incurred \$791 for leases with variable lease payments not included in lease liabilities. The variable lease payments relate to certain equipment with consideration based on usage. During the period ended June 30, 2019, the Company received \$36 from subleasing office space.

14 Warrant liability

	Number of warrants	Weighted average exercise price (C\$)	Warrant liability (US\$)
Balance, December 31, 2017	6,500,000	\$ 0.10	\$ 67
Change in fair value	-	-	(59)
Balance, December 31, 2018	6,500,000	0.10	8
Warrants expired	(3,000,000)	0.10	-
Change in fair value	-	-	(6)
Balance, June 30, 2019	3,500,000	\$ 0.10	\$ 2

Expiry date	Number of warrants	Weighted Average exercise price (C\$)
July 18, 2019*	3,500,000	0.10
Balance, June 30, 2019	3,500,000	0.10

* The July 18, 2019 warrants have expired subsequent to period end.

The fair value allocated to the warrants at June 30, 2019 was \$2 (December 31, 2018 - \$8) and is recorded as a derivative financial liability as these warrants are exercisable in Canadian dollars, differing from the Company's functional currency. The gain recognized in profit or loss for the period ended June 30, 2019 was \$6 (2018 - gain of \$21).

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, 2019	December 31, 2018
Expected warrant life	0.05 years	0.39 years
Expected stock price volatility	90%	76%
Dividend payment during life of warrant	Nil	Nil
Expected forfeiture rate	Nil	Nil
Risk free interest rate	1.78%	2.19%
Weighted average strike price	\$ 0.10	\$ 0.10
Weighted average fair value per warrant	\$ 0.00	\$ 0.01
Weighted average share price	\$ 0.05	\$ 0.05

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15 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, 2019, the remaining share options available for issue under the plan were 3,058,669 (December 31, 2018 – 3,058,669).

Total share options granted during the period ended June 30, 2019 was nil (2018 – 2,740,000). Total share-based compensation expense recognized for the fair value of share options granted and vested during the period ended June 30, 2019 was \$6 (2018 - \$50).

	June 30, 2019		December 31, 2018	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding - beginning of period	15,455,000	\$ 0.16	16,125,000	\$ 0.17
Granted	-	-	2,740,000	0.07
Expired/forfeited	-	-	(3,410,000)	0.13
Outstanding - end of period	15,455,000	\$ 0.16	15,455,000	\$ 0.16

The following table discloses the number of options and vested options outstanding as at June 30, 2019:

Exercise price (C\$/option)	Options Outstanding			Options Exercisable		
	Options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (C\$/option)	Options outstanding and exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price (C\$/option)
\$0.06 to \$0.15	9,635,000	1.76	\$ 0.09	8,955,000	1.63	\$ 0.09
\$0.16 to \$0.27	5,820,000	2.33	0.27	5,820,000	2.33	0.27
Outstanding - end of period	15,455,000	1.97	\$ 0.16	14,775,000	1.90	\$ 0.16

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

Exercise price (C\$/option)	Options Outstanding			Options Exercisable		
	Options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (C\$/option)	Options outstanding and exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price (C\$/option)
\$0.06 to \$0.15	9,635,000	2.25	\$ 0.09	8,275,000	1.96	\$ 0.10
\$0.16 to \$0.27	5,820,000	2.82	0.27	5,820,000	2.82	0.27
Outstanding - end of year	15,455,000	2.47	\$ 0.16	14,095,000	2.32	\$ 0.16

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16 Related party transactions

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers, directors or companies with common directors of the Company. The remuneration of the Company's directors and other key management personnel during the period ended June 30, 2019 and 2018, are as follows:

	2019	2018
Short-term employee benefits included in salary and consulting	\$ 213	\$ 145
Director's fees included in professional fess	57	58
Share-based compensation	4	49
Consulting fees included in salary and consulting	54	54
	\$ 328	\$ 306

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

At June 30, 2019, other receivables and prepaid expenses include \$Nil (December 31, 2018 - \$21) owing from an officer of the Company.

At June 30, 2019, accounts payable and accrued liabilities includes \$205 (December 31, 2018 - \$173) owing to a director and/or officer and/or companies controlled by the directors.

During the period ended June 30, 2019 the Company paid consulting fees totalling \$54 (2018 - \$54) 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.

17 Cost of sales

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Mining	\$ 1,637	\$ 2,085	\$ 3,261	\$ 3,186
Crushing	550	557	1,456	1,207
Plant and Laboratory	612	647	1,417	1,365
Mine administration	291	418	546	707
Machine maintenance	519	751	687	1,454
Royalty	81	28	81	140
Change in inventory	(359)	730	(89)	856
Other	90	76	104	193
	\$ 3,421	\$ 5,292	\$ 7,463	\$ 9,108

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18 Finance costs

	Note	Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
Accretion expense – Facility		\$ -	\$ 21	\$ -	\$ 42
Standby fees – loan payable		-	6	-	13
Interest expense – Facility		-	47	-	92
Accretion - Decommissioning obligation		15	5	30	8
Interest expense – Accendo loan	12	51	-	110	-
Interest on lease liabilities	13	19	-	40	-
Other finance cost		1	(1)	2	(1)
		\$ 86	\$ 78	\$ 182	\$ 154

19 Segmented disclosure

The Company operates in three geographical and three operating segments. The operating segments are managed separately based on the nature of operations. Mining operations consists of the Cerro Colorado mine, which is no longer operational and was sold during fiscal 2017 and the Cerro Prieto project, currently operational and exploration and evaluation the El Mozo project.

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

	As at June 30, 2019				As at December 31, 2018			
	Canada	Mexico	Ecuador	Total	Canada	Mexico	Ecuador	Total
Assets								
Cash and cash equivalents	\$ 99	\$ 111	\$ 22	\$ 232	\$ 143	\$ 182	\$ 4	\$ 329
Investments	589	-	-	589	367	-	-	367
Other receivables and prepaid expenses	148	2,370	184	2,702	140	2,120	126	2,386
Inventory	-	2,483	-	2,483	-	2,453	-	2,453
Right to use asset	216	229	-	445	-	-	-	-
Property, plant and equipment	-	2,039	-	2,039	-	2,557	-	2,557
Exploration and evaluation properties	-	-	2,562	2,562	-	94	2,430	2,524
Mineral property	-	3,631	-	3,631	-	3,903	-	3,903
Liabilities								
Accounts payable and accrued liabilities	(513)	(5,061)	(246)	(5,820)	(496)	(4,856)	(166)	(5,518)
Tax payable	-	(48)	-	(48)	-	(250)	-	(250)
Loan payable	-	(1,183)	-	(1,183)	-	(1,633)	-	(1,633)
Warrant liability	(2)	-	-	(2)	(8)	-	-	(8)

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Lease liability	(224)	(237)	-	(461)	-	-	-	-
Decommissioning obligation	-	(1,601)	-	(1,601)	-	(1,571)	-	(1,571)

Selected financial information by operating segments is as follows:

	As at June 30, 2019			As at December 31, 2018		
	Exploration & Production	Corporate	Total	Exploration & Production	Corporate	Total
Assets						
Cash and cash equivalents	\$ 133	\$ 99	\$ 232	\$ 186	\$ 143	\$ 329
Investments	-	589	589	-	367	367
Other receivables and prepaid expenses	2,554	148	2,702	2,246	140	2,386
Inventory	2,483	-	2,483	2,453	-	2,453
Right of use asset	229	216	445	-	-	-
Property, plant and equipment	2,039	-	2,039	2,557	-	2,557
Exploration and evaluation properties	2,562	-	2,562	2,524	-	2,524
Mineral property	3,631	-	3,631	3,903	-	3,903
Total assets	\$ 13,631	\$ 1,052	\$ 14,683	\$ 13,869	\$ 650	\$ 14,519

For the six months ended June 30, 2019

	Corporate	Cerro Prieto	Batamote	El Mozo	Total
Revenue	-	3,288	6,386	-	9,674
(Loss) income before income taxes	(318)	751	(218)	(4)	211

For the three months ended June 30, 2019

	Corporate	Cerro Prieto	Batamote	El Mozo	Total
Revenue	-	3,288	1,666	-	4,954
(Loss) income before income taxes	(84)	751	(116)	-	551

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For the six months ended June 30, 2018

	Corporate	Cerro Prieto	Batamote	El Mozo	Total
Revenue	-	7,565	4,373	-	11,938
(Loss) income before income taxes	(910)	(78)	539	(3)	(452)

For the three months ended June 30, 2018

	Corporate	Cerro Prieto	Batamote	El Mozo	Total
Revenue	-	1,817	4,373	-	6,190
(Loss) income before income taxes	(389)	(1,024)	539	-	(874)

20 Commitments

- a. In 2011, the Company acquired the Caballo Blanco project held previously by Almaden Minerals Ltd. ("Almaden"). As part of the consideration, the Company may have to issue up to an additional 7.0 million common shares of the Company upon achievement of certain project milestones. As a result, the Company recorded a contingent share consideration of \$3,305 (December 31, 2018 - \$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.
- b. The Company was entitled to receive an additional contingent consideration from the 2014 Caballo Blanco sale of \$5.0 million ("Contingent Gain") that would become payable in cash, Timmins Gold shares, or a combination thereof (at the option of Timmins Gold, provided that the Company's ownership in Timmins Gold will not exceed 9.9% at any time) should any of the following events occur prior to October 31, 2019:
 - The approval of the Project's Environmental Impact Statement from SEMARNAT ("Environmental Permit"); or
 - A change in beneficial ownership of Timmins Gold of greater than 50%; or
 - The removal or change, at one time, of a majority of the current members of the Timmins Gold Board of Directors

An additional \$600 will be contingently payable to the Company by Credipresto when the owner of Caballo Blanco receives the Environmental Permit. Although the Company may become entitled to the contingent payments, the value of these payments has not been recognized in the statement of financial position due to the level of uncertainty surrounding the conditions required for the payments.

21 Capital management

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

The Company manages its capital structure and makes adjustments in light of changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the entity's capital requirements, the Company has in place a planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. As at June 30, 2019, the Company expects its capital resources will require

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additional financial support for its normal operating requirements, planned development and exploration of its mineral properties for the next twelve months. There are no externally imposed capital requirements to which the Company has not complied.

22 Supplemental cash flow information

Supplemental cash flow information	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Depreciation capitalized to exploration properties	\$ -	\$ -	\$ -	\$ -
Depreciation and depletion included in inventory	(9)	(85)	(153)	(130)
Recognition of right of use asset and liability	-	-	572	-