



## **Goldgroup Mining Inc.**

Condensed Interim Consolidated Financial Statements  
For the three and six months ended June 30, 2023 and 2022  
(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, 2023	December 31, 2022
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	\$ 603	\$ 459
Other receivables and prepaid expenses	4,5	2,594	1,800
Inventory	6	1,300	765
		4,497	3,024
Receivables	4	1,579	1,446
Property, plant and equipment	8	2,163	2,482
Right of use asset	13	115	147
Mineral property	10	728	788
Exploration and evaluation property	11	1,122	7,518
Total assets		\$ 10,204	\$ 15,405
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	5	\$ 12,150	\$ 11,521
Current lease liabilities	5,13	79	74
Decommissioning obligation		313	313
Warrant liability	5,14	-	21
Convertible debenture	5,12	2,162	-
Loan payable	5,12	1,838	3,894
		16,542	15,823
Warrant liability	5,14	34	88
Lease liabilities	5,13	37	78
Decommissioning obligation		2,025	1,982
Total liabilities		18,638	17,971
<b>Shareholders' deficiency</b>			
Share capital	15	135,068	134,651
Contingent share consideration	20	3,305	3,305
Subscription proceeds received in advance		-	425
Reserves		8,509	8,444
Deficit		(155,316)	(149,391)
Total shareholders' deficiency		(8,434)	(2,566)
Total liabilities and shareholders' deficiency		\$ 10,204	\$ 15,405

*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 Loss and Comprehensive 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,	
		2023	2022	2023	2022
<b>Revenue</b>					
Gold sales		\$ 1,314	\$ -	\$ 1,314	\$ 525
Silver sales		12	-	12	27
		1,326	-	1,326	552
<b>Cost of operation</b>					
Cost of sales	17	(548)	-	(548)	(974)
Depreciation and depletion	8,10	(70)	-	(70)	(54)
		708	-	708	(476)
Depreciation	13	(18)	(14)	(36)	(30)
Share-based compensation	15,16	(2)	(58)	(2)	(120)
General and administrative		(327)	(277)	(560)	(596)
Salary and consulting	16	(174)	(135)	(346)	(267)
Professional fees	16	(443)	(473)	(637)	(759)
Gain on investments		-	-	-	2
Impairment of exploration and evaluation property	11	(4,955)	-	(4,955)	-
Finance cost	18	(110)	(57)	(221)	(113)
Unrealized derivative gain (loss) – warrant liability	14	53	(14)	75	86
Foreign exchange gain		(10)	83	(152)	152
Other income		86	30	218	346
<b>Loss before income taxes</b>		(5,192)	(915)	(5,908)	(1,775)
Income taxes (expense) recovery – current		109	28	(17)	(11)
<b>Loss and comprehensive loss</b>		(5,083)	(887)	(5,925)	(1,786)
<b>Loss per share – Basic and diluted</b>		\$ (0.18)	\$ (0.00)	\$ (0.21)	\$ (0.01)
<b>Weighted average shares outstanding (000's)</b>					
Basic		28,624	21,587	28,215	21,383
Diluted		28,624	21,587	28,215	21,383
<b>Total shares issued and outstanding (000's)</b>		28,624	22,925	28,624	22,925

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

# Goldgroup Mining Inc.

## Condensed Interim Consolidated Statements of Cash Flows

For the 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,	
		2023	2022	2023	2022
<b>Cash flows provided (used) by operating activities</b>					
Loss for the period		\$ (5,083)	\$ (887)	\$ (5,925)	\$ (1,786)
Items not affecting cash					
Depreciation	8,13	33	17	51	46
Depletion		28	-	28	38
Share-based compensation	15	2	58	2	120
Finance cost - decommissioning obligation	18	22	6	43	10
Unrealized foreign exchange gain (loss)		(2)	-	(2)	2
Finance cost – interest and amortization of transaction costs	18	83	45	169	89
Gain on investments	7	-	-	-	(2)
Unrealized derivative gain (loss) – warrant liability	14	(53)	14	(75)	(86)
Impairment of exploration and evaluation property	11	4,955	-	4,955	-
Finance cost - accretion on lease liability	18	5	6	9	12
Change in non-cash operating working capital					
Decrease (increase) in other receivables and prepaid expenses		(366)	423	(927)	648
Decrease (increase) in inventory		(655)	(9)	(487)	68
Increase (decrease) in tax payable		-	-	-	(3)
Increase (decrease) in accounts payable and accrued liabilities		1,847	794	629	2,499
		816	467	(1,530)	1,655
<b>Cash flows provided (used) by financing activities</b>					
Proceeds of private placement	15	-	478	-	478
Share issuance costs	15	-	-	(8)	-
Lease payments	13	(26)	(21)	(49)	(42)
		(26)	457	(57)	436
<b>Cash flows provided (used) in investing activities</b>					
Purchase of property, plant and equipment	8	-	(113)	(1)	(603)
Proceeds on sale of investments		-	-	-	694
Recovery from exploration property sales	11	4,874	6,411	13,008	11,171
Exploration and evaluation property		(5,822)	(7,801)	(11,276)	(13,579)
		(948)	(1,503)	1,731	(2,317)
<b>Increase (decrease) in cash and cash equivalents</b>					
		(158)	(579)	144	(226)
<b>Cash and cash equivalents – beginning of period</b>					
		761	1,301	459	948
<b>Cash and cash equivalents – end of period</b>					
Cash		\$ 603	\$ 722	\$ 603	\$ 722
Cash equivalents		603	675	603	675
Cash equivalents		-	47	-	47
<b>Cash and cash equivalents – end of period</b>					
		\$ 603	\$ 722	\$ 603	\$ 722

Supplemental cash flow information (note 22)

*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' Deficiency

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

	Notes	Shares (‘000)	Share capital	Contingent shares (Note 20)	Share based compensation reserves	Equity portion of convertible debt	Foreign currency translation reserves	Subscription proceeds received in advance	Deficit	Total equity
<b>January 1, 2023</b>		22,924	\$ 134,651	\$ 3,305	\$ 8,752	\$ -	\$ (308)	\$ 425	\$ (149,391)	\$ (2,566)
Loss for the period		-	-	-	-	-	-	-	(5,925)	(5,925)
Private placement	15	5,700	425	-	-	-	-	(425)	-	-
Share issuance costs	15	-	(8)	-	-	-	-	-	-	(8)
Share-based compensation	15	-	-	-	2	-	-	-	-	2
Issuance of convertible debt	12	-	-	-	-	63	-	-	-	63
<b>Balance at June 30, 2023</b>		28,624	\$ 135,068	\$ 3,305	\$ 8,754	\$ 63	\$ (308)	\$ -	\$ (155,316)	\$ (8,434)
<b>January 1, 2022</b>		21,180	\$ 134,551	\$ 3,305	\$ 8,579	\$ -	\$ (308)	\$ -	\$ (146,338)	\$ (211)
Loss for the period		-	-	-	-	-	-	-	(1,786)	(1,786)
Private placement		1,744	110	-	-	-	-	-	-	110
Share-based compensation	15	-	-	-	120	-	-	-	-	120
<b>Balance at June 30, 2022</b>		22,924	\$ 134,661	\$ 3,305	\$ 8,699	\$ -	\$ (308)	\$ -	\$ (148,124)	\$ (1,767)

*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, 2023 and 2022

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

---

### 1 Nature of operations and Going Concern

#### *Nature of operations*

Goldgroup Mining Inc. is the parent company of its consolidated group ("Goldgroup" or the "Company"). Goldgroup was incorporated in Quebec under the Business Corporations Act (Québec) and on July 28, 2011 it was continued under the Business Corporations Act (British Columbia). Its head office is located at Suite 1201 – 1166 Alberni Street, Vancouver BC, V6E 3Z3. Goldgroup together with its subsidiaries, is a Canadian-based gold producer and is focused on the acquisition, exploration and development of advanced stage gold-bearing mineral properties in the Americas. The Company's current gold production and exploration and development related activities are conducted in Mexico where the Company operates the Cerro Prieto project in Sonora. 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 \$155,316 at June 30, 2023. In addition, as at June 30, 2023, the Company has working capital deficiency of \$12,045. 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 9). These matters result in material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. These unaudited condensed interim consolidated 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 unaudited condensed interim consolidated 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.

Recent global issues, including the ongoing COVID-19 pandemic and political conflict in other regions have adversely affected workplaces, economies, supply chains, and financial markets globally. It is not possible for the Company to predict the duration or magnitude of the adverse results of these issues and their effects on the Company's business or results of operations this time.

On September 27, 2022, the Company completed a 10:1 consolidation of the common shares of the Company. All share and per share information has been retrospectively restated in these consolidated financial statements to reflect this share consolidation.

### 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 interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022.

Except for as set out below, 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, 2022.

During the six months ended June 30, 2023, the Company expanded its significant accounting policy as follows:

#### **Convertible debentures**

Convertible debentures are financial instruments which are accounted for separately dependent on the nature of their components: a financial liability and an equity instrument. The identification of such components embedded within a convertible debenture requires significant judgment given that it is based on the interpretation of the substance of the contractual arrangement. Where the conversion option has a fixed conversion rate, the financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors on August 14, 2023.

# Goldgroup Mining Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023 and 2022

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

---

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

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

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

#### **(iii) Functional currency**

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

#### *Key sources of Estimation Uncertainty*

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

#### **(i) Mineral 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.

# Goldgroup Mining Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023 and 2022

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

---

### (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) 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.

### (iv) 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.

### (v) 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.

### (vi) Impairment

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

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



# Goldgroup Mining Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023 and 2022

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

### 4 Other receivables and prepaid expenses

	June 30, 2023	December 31, 2022
<b>Current asset</b>		
<b>Financial assets</b>		
Other receivables	\$ 143	\$ 143
Employee receivables	60	24
<b>Non-Financial assets</b>		
Value-added tax receivables	1,967	1,318
Corporate tax receivables	56	22
<b>Total receivables</b>	2,226	1,507
<b>Prepaid expenses</b>	368	293
	\$ 2,594	\$ 1,800
<b>Non-current assets</b>		
<b>Non-Financial assets</b>		
Other receivables	1,579	1,446
	\$ 1,579	\$ 1,446

### 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, 2023	December 31, 2022
<b>Financial assets</b>			
<i>Amortized cost</i>			
Cash and cash equivalents <sup>(1)</sup>	N/A	\$ 603	\$ 459
Receivables <sup>(1)</sup>	N/A	203	167
<b>Financial liabilities</b>			
<i>Other financial liabilities</i>			
Accounts payable & accrued liabilities <sup>(1)</sup>	N/A	12,150	11,521
Loan payable <sup>(3)</sup>	N/A	1,838	3,894
Convertible debt	N/A	2,162	-
Lease liabilities	N/A	116	152
Warrant liability <sup>(2)</sup>	Level 3	34	109

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

# Goldgroup Mining Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023 and 2022

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

---

### **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. 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 accrued liabilities are due within the current operating period. The Company is exposed to liquidity risk.

### **Market Risk**

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

### **Price Risk**

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

### **Commodity Price Risk**

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

### **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.

# Goldgroup Mining Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023 and 2022

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

The Company's financial assets and liabilities as at June 30, 2023 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
<b>Financial assets</b>				
Cash and cash equivalents	\$ 3	\$ 598	\$ 2	\$ 603
Receivables - other	-	203	-	203
	3	801	2	806
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	(233)	(8,225)	(3,692)	(12,150)
Loan payable	-	(1,838)	-	(1,838)
Convertible debt	-	(2,162)	-	(2,162)
Lease liabilities	(116)	-	-	(116)
Warrant liability	(34)	-	-	(34)
Net financial (liabilities) assets	\$ (380)	\$ (11,424)	\$ (3,690)	\$ (15,494)

The Company's financial assets and liabilities as at December 31, 2022 are denominated in United States Dollars, Canadian Dollars, and Mexican Pesos, and are set out in the following table:

	Canadian Dollars	US Dollars	Mexican Pesos	Total
<b>Financial assets</b>				
Cash and cash equivalents	\$ 11	\$ 440	\$ 8	\$ 459
Receivables - other	-	167	-	167
	11	607	8	626
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	(331)	(7,066)	(4,124)	(11,521)
Loans payable	-	(3,894)	-	(3,894)
Lease liabilities	(152)	-	-	(152)
Warrant liability	(109)	-	-	(109)
Net financial (liabilities) assets	\$ (581)	\$ (10,353)	\$ (4,116)	\$ (15,050)

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, 2023, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial assets by approximately \$38 (December 31, 2022 -\$58). 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 \$367 (December 31, 2022 -\$359) 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.

## Goldgroup Mining Inc.

### Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023 and 2022

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

June 30, 2023	Current – within 1 year	Non- current – 1 to 3 years
Accounts payable and accrued liabilities	\$ 12,150	\$ -
Loan payable	1,838	-
Convertible debt	2,162	-
Lease liabilities	79	37
	\$ 16,229	\$ 37

  

December 31, 2022	Current - within 1 year	Non- current – 1 to 3 years
Accounts payable and accrued liabilities	\$ 11,521	\$ -
Loan payable	3,894	-
Lease liabilities	74	78
	\$ 15,489	\$ 78

## 6 Inventory

	June 30, 2023	December 31, 2022
Consumable supplies	\$ 609	\$ 765
Work in progress	691	-
	\$ 1,300	\$ 765

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.

## 7 Investments

	December 31, 2022 Fair value	Disposed	Gain/(Loss)	Foreign exchange	June 30, 2023 Fair value
Oroco common shares	\$ -	\$ -	\$ -	\$ -	\$ -

  

	December 31, 2021 Fair value	Disposed	Gain/(Loss)	Foreign exchange	December 31, 2022 Fair value
Oroco common shares	\$ 692	\$ (694)	\$ 2	\$ -	\$ -

As at June 30, 2023 the Company held nil (December 31, 2022 – nil) common shares of Oroco Resource Corp. ("Oroco"). During the period ended June 30, 2023 the Company sold nil (December 31, 2022 – 430,600) Oroco shares for total proceeds of \$nil (December 31, 2022 - \$694).

## Goldgroup Mining Inc.

### Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023 and 2022

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

## 8 Property, plant and equipment

	Cost December 31, 2021	Additions	Disposals	December 31, 2022	Additions	Disposals	June 30, 2023
Plant and mining equipment	\$ 11,303	\$ 1,373	\$ -	\$ 12,676	\$ -	\$ -	\$ 12,676
Machinery	2,732	133	-	2,865	-	-	2,865
Office and furniture	263	-	-	263	1	-	264
Vehicles	936	-	-	936	-	-	936
Lab equipment	97	-	-	97	-	-	97
	\$ 15,331	\$ 1,506	\$ -	\$ 16,837	\$ 1	\$ -	\$ 16,838

	Accumulated Depreciation December 31, 2021	Depreciation	Disposals	December 31, 2022	Depreciation	Disposals	June 30, 2023
Plant and mining Equipment	\$ 10,222	\$ 264	\$ -	\$ 10,486	\$ 262	\$ -	\$ 10,748
Machinery	2,617	83	-	2,700	29	-	2,729
Office and furniture	258	4	-	262	2	-	264
Vehicles	769	52	-	821	24	-	845
Lab equipment	80	6	-	86	3	-	89
	\$ 13,946	\$ 409	\$ -	\$ 14,355	\$ 320	\$ -	\$ 14,675

Depreciation on property, plant and equipment for the period ended June 30, 2023 is \$320 (2022 - \$232) of which \$15 (2022 - \$16) is recorded as a cost of the mine and \$289 (2022 - \$216) was recorded in exploration and evaluation assets and \$16 (2022 - \$nil) is included in inventory

Carrying amount	June 30, 2023	December 31, 2022
Plant and mining equipment	\$ 1,928	\$ 2,190
Machinery	136	165
Office and furniture	-	1
Vehicles	91	115
Lab equipment	8	11
	\$ 2,163	\$ 2,482

# Goldgroup Mining Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023 and 2022

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

---

### 9 Investments in associate - DynaMexico

The Company has an 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 owner 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.

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. On March 7, 2014 DynaResource dropped its lawsuit against the Company.

On October 28, 2013 the Company announced that it filed a legal action before the appropriate authorities in Mexico concerning 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 10, 2014 the Company filed for arbitration in Denver, Colorado, against DynaResource Inc. to protect its interests pursuant to the Earn-In/Option Agreement between DynaResource and Goldgroup, dated September 1, 2006 (the “Agreement”).

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 DynaMexico. 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.

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.

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 DynaResource. 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 failed to do what it is obligated to do under 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;

# Goldgroup Mining Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023 and 2022

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

---

- The expenditures made by DynaUSA without the approval of the joint Management Committee have to be reimbursed to DynaMexico, an entity in which Goldgroup own a 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 is 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.

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. The Company pursued the case to the Mexican Supreme Court level to get the judgement overturned.

Following the arbitration, DynaUSA filed documents in an attempt to convince the court to vacate the arbitration award. In February 2018, the Company received the recommendation of the magistrate judge in Denver, who recommended that the Company's application to confirm the arbitration award be denied. The Company filed an objection to request the presiding 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.

The May 9th order denied DynaResource's motion to vacate the award and rejected the recommendation of the magistrate Judge, who had agreed with DynaResource 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 DynaMexico \$1,045 for various legal and other expenses that DynaUSA improperly caused DynaMexico to incur.

On March 25, 2020, the United States District Court for the District of Colorado denied DynaResource's motion to alter or amend the Final judgement and denied DynaResource's motion for a stay of judgment pending appeal and to waive or reduce supersedeas bond and ordered DynaResource to post a supersedeas bond in the amount of \$1,107 in order to be granted a stay, within 21 days of the order. On April 10, 2020, DynaResource appealed the May 9, 2019 order and Final judgement.

On July 24, 2020, the United States District Court for the District of Colorado granted DynaResource a stay on the monetary awards upon posting of a \$1,111 bond before July 28, 2020, but denied DynaResource's request to stay the non-monetary awards of the judgement. This bond has been posted and therefore the monetary awards are stayed pending the outcome of Dyna's appeal of the arbitration award. The appeal is fully briefed, and the Tenth Circuit Court of Appeals in Denver, Colorado, heard argument on the appeal on March 9, 2021.

On April 16, 2021, the Tenth Circuit Court of Appeals (the "Circuit Court") affirmed the May 9, 2019 order and judgment from United States District Court for the District of Colorado, which confirmed the arbitration award (the "Arbitral Award") the Company received on August 14, 2016 pursuant to an arbitration held in Denver, Colorado, commencing in March 2014 (the

## Goldgroup Mining Inc.

### Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023 and 2022

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

---

"Arbitration"). The Company received the \$1,111 appeal bond funds from DynaUSA which is recorded in other income on the statements of loss and comprehensive loss.

The Circuit Court rejected the appeal lodged by Texas-based DynaResource Inc. ("DynaUSA") and its Mexican subsidiary ("DynaMexico") to vacate the Arbitral Award, which had found that DynaUSA had improperly diluted the Company's interest in the San Jose de Gracia Mexican mining project, which Goldgroup had earned into pursuant to an option agreement between the Company and DynaUSA (the "Agreement")

On December 6, 2019 the 11th Federal Circuit Collegiate Court in México denied Goldgroup's Amparo regarding the USD \$48 million claim and on February 20, 2020 a Mexico City court issued a judgement in favour of DynaMexico. The Company will continue to pursue all legal avenues in Mexico to achieve a favorable resolution to the dispute. On August 28, 2020, DynaMexico sought recognition of the judgment under the Texas Uniform Foreign-Country Money Judgment Recognition Act. This lawsuit was dismissed by the Court for want of jurisdiction on November 30, 2020. DynaMexico filed a Motion for new trial on December 30, 2020. The motion for a new trial was overruled by operation of law on February 15, 2021.

On February 23, 2022, Goldgroup filed another Motion for Contempt against DynaResources, asserting that DynaResources had not fully complied with the Court's September 3, 2021 order or with the non-monetary relief mandated by the Court's May 9, 2019 final judgment. That motion was fully briefed as of March 18, 2022, and is awaiting the Court's ruling.

On December 4, 2020 DynaMexico filed another claim seeking recognition of the judgment under the Texas Uniform Foreign-Country Money Judgment Recognition Act. The Company has filed a Special Appearance, Motion to Dismiss for Improper Venue, and Motion for Non-Recognition in response. A hearing was held on the Special Appearance and Motion to Dismiss for Improper Venue on February 8, 2021 and on May 12, 2021 The 134th Judicial District Court, as a District Court of the State of Texas, ruled it is not required to recognize DynaMexico's foreign judgment from the country of Mexico. DynaUSA has appealed this decision and the appeal has been fully briefed and oral arguments were held on April 20, 2022. On May 2, 2023 the court of appeals dismissed DynaUSA's appeal.

The Company will continue to pursue the recovery of its original 50% interest in DynaMexico with the potential for further litigation in Mexico or the United States and there is no guarantee the Company will be successful in its claim.

On March 6, 2023, the Company announced that it has filed a Request for Arbitration with the International Centre for Settlement of Investment Disputes ("ICSID") against the United Mexican States. The treatment and inaction by the Mexican courts have resulted in a judicial expropriation of its subsidiary's investment in DynaResource de Mexico, S.A. de C.V. and a denial of justice in breach of Mexico's obligations under the North American Trade Agreement ("NAFTA"). The Company is seeking damages as a result of Mexico's breaches of NAFTA.



## Goldgroup Mining Inc.

### Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023 and 2022

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

#### 10 Mineral property

Carrying amount	Cerro Prieto
Balance, December 31, 2021	\$ 1,008
Depletion	(38)
Change in decommissioning obligation	(182)
Balance, December 31, 2022	\$ 788
Depletion	(60)
Balance, June 30, 2023	\$ 728

Cerro Prieto commenced commercial production on April 1, 2016 for accounting purposes. The project has an existing 2% net smelter return royalty (“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 project until the completion of five full years after certain criteria have been met. In August 2022, the 90,000 ounce cap was achieved and the royalty has maxed out and no longer to be accrued.

#### 11 Exploration and evaluation asset

During the year ended December 31, 2021, the Company identified a new resource area called the Puma extension. This extension is currently recognized as an exploration and evaluation asset until the Company defines the resource, completes a technical feasibility and commercial viability assessment on the area and transitions the property to mineral properties. During the fourth quarter of the year ended December 31, 2022, the Company started production from this area and all sales and expenses from production will be capitalized until the property is no longer classified as an exploration and evaluation asset.

Carrying amount	June 30, 2023	December 31, 2022
Opening	\$ 7,518	\$ 2,465
Mining	7,690	16,703
Crushing	1,486	4,353
Plant and laboratory	668	1,327
Mine administration	743	158
Machine maintenance	87	1,440
Royalty	189	834
Other	415	753
Depreciation	289	389
Impairment	(4,955)	-
Increase in decommissioning obligation	-	(92)
Gold and silver sales (pre-production)	(13,008)	(20,812)
	\$ 1,122	\$ 7,518

# Goldgroup Mining Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023 and 2022

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

---

Subsequent to period end, on July 1, 2023, the Company entered into a settlement agreement ("Settlement Agreement") with Minera Cerro Esperanza S.A de C.V. ("MER") who acquired the Company's loan with Accendo Banco S.A., Multiple Banking Institution ("Accendo") (Note 12). As part of the Settlement Agreement the Company will transfer all of the Minas de Oroco concessions to MER in satisfaction of the Accendo loan and enter into an Exploitation and Option to Purchase Agreement with MER, which provides the Company with the right to continue to operate the Minas de Oroco mine in exchange for a 2% NSR and provides that the Company will have the option to repurchase the assets for a payment of US\$1,850 in cash or common shares of the Company an initial term of thirty (30) years and shall automatically renew for additional thirty (30) year periods not to exceed 99 years.

As at June 30, 2023, the Company recorded an impairment of \$4,955 (2022 - \$nil) on the exploration and evaluation asset which represents the settlement value. As part of the agreement, the Company would still be responsible for the asset retirement obligation and original NSR related to the concessions.

## 12 Loan payable

During the year ended December 31, 2018, the Company closed an agreement with Accendo, for a \$1,800 secured loan facility. Javier Reyes, a director of the Company, was the CEO and Chairman of Accendo at that time, although is currently no longer associated with 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 had 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 would increase 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

On June 29, 2020, the Company closed an additional facility with Accendo in the amount of USD\$3,000 (the "Facility").

### The Facility Terms

The Facility was available to draw on for 12 months, and bore interest at the rate of 12% per annum, accruing on the outstanding amount drawn under the Facility. Repayments were set to begin 15 months after the first drawdown under the Facility, and be payable in equal installments, quarterly in arrears until the final repayment date of 36 months from the date of the first drawdown. Minas de Oroco had the option to prepay without penalty any portion of the Facility, subject to 10 days' notice, payment of additional fees or costs associated with prepayment, and minimum prepayment amounts of \$200. Each disbursement under the Facility was to be requested with two days' notice, and will have a separate promissory note.

As consideration for the Facility:

- The Company paid Accendo an arrangement fee in an amount equal to 0.925% of the facility amount; and
- the Company issued Accendo a total of 750,000 common share purchase warrants exercisable to purchase one common share in the capital of the Company at a price of CAD\$0.25 for a period of 36 months. The fair value of warrants issued was calculated at \$75 (note 16) and recorded as finance costs as it was determined that the loan was an extinguishment.

# Goldgroup Mining Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023 and 2022

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

The Facility is secured by:

- certain assets of the Company, including the Company's Cerro Prieto project;
- guarantees by the Company and certain subsidiaries of the Company; and
- a pledge of the issued and outstanding shares of Minas de Oroco;

A portion of the first draw on the Facility of \$1,500 was used to repay the existing loan amount with Accendo.

During the fourth quarter of the year ended December 31, 2021, the Company was made aware that the Mexican National Banking and Securities Commission notified Accendo of the revocation of its authorization to organize and operate as a multiple banking institution due to Accendo falling below the regulatory minimum levels of liquidity coverage ratio of the institution and that Accendo was being placed in liquidation. The Accendo Facility was acquired by MER from the bankruptcy proceedings and the Company settled the amount outstanding subsequent to period end (Note 11).

### Calu Loan

On August 11, 2022, the Company entered into a loan agreement (the "Loan Agreement") with Sail Natural Resources LP (the "Lender") in the principal amount of \$550 (the "Loan"). The Loan bears interest at 5% per annum, will be repaid in 11 equal monthly installments of \$50 commencing on October 10, 2022, maturing on August 10, 2023. The Loan is initially being advanced on an unsecured basis, however, under the Loan Agreement, the Company has agreed to use reasonable efforts going forward to reorganize certain security granted by the Company under a credit facility from Accendo so that the Loan is secured behind the Accendo credit facility. There is no guarantee that such security will ultimately be granted in favor of the Lender.

On December 9, 2022, the Company entered into an amending loan agreement (the "Amended Loan Agreement") with Calu Opportunity Fund LP, previously known as Sail Natural Resources LP, (the "Lender") in the principal amount of USD\$2,160 (the "Amended Loan"). This Amended Loan includes USD \$550 previously advanced to the Company under the Loan Agreement, which was restructured into the current Amended Loan amount. The Amended Loan is unsecured, bears interest at 6% per annum and is repayable on December 31, 2023. On June 28, 2023, the Company received shareholder approval to transition the Amended Loan into a convertible debt instrument with the face value of \$2,160 being convertible into common shares of the Company at CAD \$0.10 per share at a fixed FX rate of 1.345 USD to CAD.

The convertible debt instrument is a compound instrument which is required to be bifurcated to record the fair value of the separate debt and equity components. The fair value of the debt was determined using a discounted cash flow model based on an estimated discount rate for equivalent debt of 12%. The initial fair value of the debt was calculated to be \$2,162 with the residual portion of \$63 allocated to the equity component. Subsequent to period end, on July 28, 2023, total convertible debt held was converted into 29,052,000 shares.

Loan payable	June 30, 2023	December 31, 2022
Opening balance	\$ 3,894	\$ 1,571
Interest expense	153	197
Loan advances	-	2,160
Transaction costs	-	(48)
Amortization of transaction costs	16	14
Transfer to convertible debt	(2,225)	-
Total	\$ 1,838	\$ 3,894
Classified as short-term	\$ 1,838	\$ 3,894

## Goldgroup Mining Inc.

### Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023 and 2022

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

<b>Convertible debenture</b>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Opening balance	\$ -	\$ -
Addition	2,225	-
Equity portion	(63)	-
Total	\$ 2,162	\$ -
Classified as short-term	\$ 2,162	\$ -

### 13 Right of use assets and lease liabilities

<b>Right of use assets</b>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Opening balance	\$ 147	\$ 165
Recognition of right of use asset	42	43
Derecognition of right of use asset	(38)	-
Less: depreciation	(36)	(61)
Total right of use assets	\$ 115	\$ 147

<b>Lease liabilities</b>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Opening balance	\$ 152	\$ 168
Recognition of lease liability	42	43
Derecognition of lease liability	(38)	-
Lease payments	(49)	(83)
Lease interest	9	24
	116	152
Less: current portion	(79)	(74)
Classified as long-term liabilities	\$ 37	\$ 78

<b>Undiscounted lease payments</b>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Not later than a year	\$ 92	\$ 92
Later than a year	44	87
	\$ 136	\$ 179

The Company's lease relates to an office and vehicle lease. Interest expense on the lease liabilities for the period ended June 30, 2023 is \$9 (2022 - \$12). Depreciation of right-to-use assets is calculated using the straight-line method over the remaining lease term. Depreciation of equipment leases is recorded in cost of sales. During the period ended June 30, 2023, the Company incurred \$5,167 (2022 - \$6,957) 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, 2023, the Company received \$27 (2022 - \$38) from subleasing office space.

## Goldgroup Mining Inc.

### Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023 and 2022

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

#### 14 Warrant liability

	Number of warrants	Weighted average exercise price (C\$)	Warrant liability (US\$)
Balance, December 31, 2021	2,083,333	\$ 0.47	\$ 255
Warrants granted	1,744,286	0.50	368
Warrants expired	(1,333,333)	0.60	-
Change in fair value	-	-	(514)
Balance, December 31, 2022	2,494,286	\$ 0.42	\$ 109
Warrants expired	(750,000)	0.25	-
Change in fair value	-	-	(75)
Balance, June 30, 2023	1,744,286	\$ 0.50	\$ 34
Less: current portion	-	-	-
Classified as long-term	-	\$ -	\$ 34

Expiry date	Number of warrants	Weighted Average exercise price (C\$)
June 9, 2025	1,744,286	0.50
Balance, June 30, 2023	1,744,286	0.50

On June 9, 2022, the Company closed a private placement and issued 1,744,286 units at a price of \$0.35 per unit, for aggregate gross proceeds of approximately \$478 (CAD \$610). Each unit consisted of one common share of the Company and one common share purchase warrant, with each warrant exercisable to purchase one share at a price of \$0.50 per share until June 9, 2025. The fair value of warrants issued was calculated at \$368 and was determined on the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 3.07% risk free interest rate, expected life of 3 years, 192% annualized volatility and 0% dividend rate.

The fair value allocated to the warrants at June 30, 2023 was \$34 (December 31, 2022 - \$109) and was recorded as a derivative financial liability as these warrants were exercisable in Canadian dollars, differing from the Company's functional currency. The unrealized gain recognized in the statements of loss and comprehensive loss for the period ended June 30, 2023 was \$75(2022 - \$86).

The fair value of the warrants was 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.

# Goldgroup Mining Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023 and 2022

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

	June 30, 2023	December 31, 2022
Expected warrant life	1.95 years	1.86 years
Expected stock price volatility	184.95%	192.76%
Dividend payment during life of warrant	Nil	Nil
Expected forfeiture rate	Nil	Nil
Risk free interest rate	4.58%	3.87%
Weighted average strike price CAD	\$ 0.50	\$ 0.42
Weighted average fair value per warrant CAD	\$ 0.026	\$ 0.059
Weighted average share price CAD	\$ 0.05	\$ 0.1

## 15 Share Capital

### (i) Share Capital

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

#### Fiscal 2023

On January 16, 2023, the Company closed a private placement and issued 5,700,000 common shares at a price of CAD \$0.10 per share, for aggregate gross proceeds of approximately \$425 (CAD \$570). The Company incurred \$8 in transaction costs in relation to the private placement.

#### Fiscal 2022

On June 9, 2022, the Company closed a private placement and issued 1,744,286 units at a price of CAD \$0.35 per unit, for aggregate gross proceeds of approximately \$478 (CAD \$610). Each unit consisted of one common share of the Company and one common share purchase warrant, with each warrant exercisable to purchase one share at a price of \$0.50 per share until June 9, 2025. The fair value of warrants issued was calculated at \$368 and was determined on the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 3.07% risk free interest rate, expected life of 3 years, 192% annualized volatility and 0% dividend rate. The Company incurred \$10 in transaction costs in relation to the private placement.

### (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, 2023, the remaining share options available for issue under the plan were 1,322,462 (December 31, 2022 – 308,366).

Total share options granted during the period ended June 30, 2023 was nil (2022 – nil). Total share-based compensation expense recognized for the fair value of share options granted and vested during the period ended June 30, 2023 was \$2 (2022 - \$120).

# Goldgroup Mining Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023 and 2022

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

	June 30, 2023		December 31, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding - beginning of period	1,984,000	\$ 0.375	1,984,000	\$ 0.375
Granted	-	-	-	-
Expired/forfeited	(444,000)	0.464	-	-
Outstanding - end of period	1,540,000	\$ 0.350	1,984,000	\$ 0.375

The following table discloses the number of options and vested options outstanding as at June 30, 2023:

	Options Outstanding			Options Exercisable		
Exercise price (C\$/option)	Options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (C\$/option)	Options outstanding and exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price (C\$/option)
\$0.35	815,000	2.08	0.35	815,000	2.08	0.35
\$0.35	725,000	3.48	0.35	725,000	3.48	0.35
Outstanding - end of period	1,540,000	2.74	\$ 0.35	1,540,000	2.74	\$ 0.35

The following table discloses the number of options and vested options outstanding as at December 31, 2022:

	Options Outstanding			Options Exercisable		
Exercise price (C\$/option)	Options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (C\$/option)	Options outstanding and exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price (C\$/option)
\$0.70	144,000	0.06	\$ 0.70	144,000	0.06	\$ 0.70
\$0.35	815,000	2.57	0.35	815,000	2.57	0.35
\$0.35	1,025,000	3.99	0.35	768,750	3.99	0.35
Outstanding - end of year	1,984,000	3.12	\$ 0.375	1,727,750	2.95	\$ 0.375

## 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, 2023 and 2022, are as follows:

	2023	2022
Short-term employee benefits included in salary and consulting	\$ 66	\$ 144
Director's fees included in professional fees	57	57
Share-based compensation	11	104
Consulting fees included in salary and consulting	54	54
	\$ 188	\$ 359

# Goldgroup Mining Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023 and 2022

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

Short-term employee benefits include salaries incurred within the last twelve 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, 2023, accounts payable and accrued liabilities includes \$141 (December 31, 2022 - \$139) owing to a director and/or officer and/or companies controlled by the directors.

During the period ended June 30, 2023 the Company paid consulting fees totalling \$54 (2022 - \$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,	
	2023	2022	2023	2022
Mining	\$ 771	\$ -	\$ 771	\$ 682
Crushing	165	-	165	38
Plant and laboratory	88	-	88	118
Mine administration	85	-	86	4
Machine maintenance	9	-	9	44
Royalty	17	-	17	46
Change in inventory	(641)	-	(641)	-
Other	54	-	54	42
	\$ 548	\$ -	\$ 548	\$ 974

### 18 Finance cost

	Note	Three months ended June 30,		Six months ended June 30,	
		2023	2022	2023	2022
Accretion - decommissioning obligation		\$ 22	\$ 6	\$ 43	\$ 10
Interest expense	12	75	45	153	89
Interest on lease liabilities	13	4	6	9	12
Amortization of loan transaction costs	12	8	-	16	-
Other finance cost		-	-	-	2
		\$ 110	\$ 57	\$ 221	\$ 113



# Goldgroup Mining Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023 and 2022

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

### 19 Segmented disclosure

The Company operates in two geographical and two operating segments. The operating segments are managed separately based on the nature of operations. Mining operations consists of the Cerro Prieto project currently operational.

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

	As at June 30, 2023			As at December 31, 2022		
	Canada	Mexico	Total	Canada	Mexico	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 8	\$ 595	\$ 603	\$ 50	\$ 409	\$ 459
Other receivables and prepaid expenses	108	4,065	4,173	135	3,111	3,246
Inventory	-	1,300	1,300	-	765	765
Right of use assets	115	-	115	147	-	147
Property, plant and equipment	-	2,163	2,163	-	2,482	2,482
Mineral property	-	728	728	-	788	788
Exploration property	-	1,122	1,122	-	7,518	7,518
<b>Liabilities</b>						
Accounts payable and accrued liabilities	(2,758)	(9,392)	(12,150)	(2,782)	(8,739)	(11,521)
Loan payable	-	(1,838)	(1,838)	(2,144)	(1,750)	(3,894)
Warrant liability	(34)	-	(34)	(109)	-	(109)
Lease liabilities	(37)	-	(37)	(152)	-	(152)
Convertible debenture	(2,162)	-	(2,162)	-	-	-
Decommissioning obligations	-	(2,338)	(2,338)	-	(2,295)	(2,295)

# Goldgroup Mining Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023 and 2022

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

Selected financial information by operating segments is as follows:

	As at June 30, 2023				As at December 31, 2022			
	Production	Exploration	Corporate	Total	Production	Exploration	Corporate	Total
<b>Assets</b>								
Cash and cash equivalents	\$ 595	\$ -	\$ 8	\$ 603	\$ 409	\$ -	\$ 50	\$ 459
Other receivables and prepaid expenses	4,065	-	108	4,173	3,111	-	135	3,246
Inventory	1,300	-	-	1,300	765	-	-	765
Right of use assets	-	-	115	115	-	-	147	147
Property, plant and equipment	2,163	-	-	2,163	2,482	-	-	2,482
Mineral property	728	-	-	728	788	-	-	788
Exploration property	-	1,122	-	1,122	-	7,518	-	7,518
<b>Total assets</b>	\$ 8,851	\$ 1,122	\$ 231	\$ 10,204	\$ 7,555	\$ 7,518	\$ 332	\$ 15,405

For the six months ended June 30, 2023

	Corporate	Cerro Prieto	Total
Revenue	\$ -	\$ 1,326	\$ 1,326
Income before income taxes	\$ (84)	\$ (5,824)	\$ (5,908)

For the three months ended June 30, 2023

	Corporate	Cerro Prieto	Total
Revenue	\$ -	\$ 1,326	\$ 1,326
(Loss) income before income taxes	\$ (249)	\$ (4,943)	\$ (5,192)

For the six months ended June 30, 2022

	Corporate	Cerro Prieto	Total
Revenue	-	552	552
Income before income taxes	(1,014)	(761)	(1,775)

# Goldgroup Mining Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023 and 2022

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

---

For the three months ended June 30, 2022

	Corporate	Cerro Prieto	Total
Revenue	-	-	-
(Loss) income before income taxes	(801)	(114)	(915)

## 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, 2022 - \$3,305). Subsequent to the sale of Caballo Blanco to Timmins Gold in fiscal 2014 and further sale from Timmins Gold to Candelaria Mining Corp. in 2016, 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

During the year ended December 31, 2016, the Company sold the contingent receivable to Credipresto for cash consideration of \$1,900, which was paid upon execution and the proceeds were used to pay back the principal of the Facility and recognizing a gain on sale of \$1,900. An additional \$600 will be contingently payable to the Company by Credipresto when the owner of Caballo Blanco receives the Environmental Permit. Although the Company may become entitled to the contingent payments, the value of these payments has not been recognized in the statement of financial position as at June 30, 2023 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, 2023, the Company expects its capital resources will require additional financial support for its normal operating requirements, planned development and exploration of its mineral properties for the next twelve months. There are no externally imposed capital requirements to which the Company has not complied.

## Goldgroup Mining Inc.

### Notes to Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023 and 2022

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

---

## 22 Supplemental cash flow information

Supplemental cash flow information	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Depreciation capitalized to exploration properties	\$ 289	\$ -	\$ 289	\$ -
Depreciation and depletion included in inventory	48	-	48	-
Equity portion of convertible debt instrument	63	-	63	-
Impairment of exploration and evaluation property	2,225	-	2,225	-