GOLDGROUP MINING INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013

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

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

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

	Note	June 30, 2014	December 31, 2013
ASSETS			
Current assets			
Cash and cash equivalents	5	$ 538	$ 963
Investments	6	183	170
Receivables	7	2,016	5,780
Inventories	8	1,585	2,032
Prepaids and deposits		116	523
Total current assets		4,438	9,468
Non-current assets			
Receivables	7	2,639	-
Plant and equipment	9	1,397	1,830
Enterprise Resource Planning Software	9	292	398
Investment in DynaResource de Mexico SA de CV	10	18,151	18,056
Exploration and evaluation properties	11	64,720	64,468
Development and operating mine properties	12	11,918	11,155
Total non-current assets		99,117	95,907
Total assets		$ 103,555	$ 105,375
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other accounts payable	13	$ 3,463	$ 2,830
Taxes payable		194	108
Loan payable	14	2,957	4,192
Promissory note payable	15	1,507	-
Total current liabilities		8,121	7,130
Non-current liabilities			
Promissory note payable	15	-	1,399
Decommissioning and restoration provision	16	1,093	950
Warrant liability	17	48	3
Deferred tax liability		8,385	8,236
Total liabilities		17,647	17,718
Equity			
Share capital	18	128,768	128,768
Share option reserve	18.3	7,345	7,322
Contingent share consideration	18.4	4,672	4,672
Translation reserve		(355)	(355)
Investment revaluation reserve		(3)	-
Deficit		(54,519)	(52,750)
Total equity		85,908	87,657
Total equity and liabilities		$ 103,555	$ 105,375
Nature of Operations and Going Concern	1		
Commitments	24		

Approved by the Board of Directors:

/s/ Keith Piggott Director   */s/ Donald R. Siemens* Director

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

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

		Three Months Ended June 30,		Six Months Ended June 30,	
	Note	2014	2013	2014	2013
Revenue					
Gold sales		$ 1,900	$ 8,588	$ 4,473	$ 16,381
Silver sales		30	84	55	233
		1,930	8,672	4,528	16,614
Costs and expenses of mining operations					
Cost of sales	20	1,784	6,640	4,009	12,842
Depreciation and depletion	20	117	551	244	1,102
		1,901	7,191	4,253	13,944
Gross profit		29	1,481	275	2,670
Other expenses (income)					
Administrative costs	21	519	943	1,416	2,326
Share of equity loss in DynaMexico	10	9	(16)	16	(3)
(Gain) loss on disposal of equipment	9	(98)	-	(96)	41
Other expenses	22	408	(168)	474	(1)
		838	759	1,810	2,363
(Loss) income before income taxes		(809)	722	(1,535)	307
Provision for income taxes:					
Current		(47)	460	84	923
Deferred		150	65	150	175
(Loss) income for the period		$ (912)	$ 197	$ (1,769)	$ (791)
Other comprehensive loss					
Items that may be reclassified subsequently to net loss					
Mark-to-market loss on available-for-sale securities	6	$ (94)	$ (333)	$ (3)	$ (628)
Total comprehensive loss for the period		$ (1,006)	$ (136)	$ (1,772)	$ (1,419)
Basic and diluted loss per share		$ (0.01)	$ 0.00	$ (0.01)	$ (0.01)
Basic weighted average shares outstanding (000's)		136,436	130,937	136,436	130,937

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

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

	Notes	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
CASH AND CASH EQUIVALENTS DERIVED FROM (USED IN)					
OPERATING ACTIVITIES					
Loss for the period		$ (912)	$ 197	$ (1,769)	$ (791)
Items not involving cash:					
Deferred tax provision		150	65	150	175
Depreciation and depletion		171	607	348	1,217
(Gain) loss on disposal of equipment	9	(98)	200	(96)	241
Unrealized foreign exchange gain		103	15	(32)	3
Share-based compensation expense	18	9	25	23	45
Financing costs	15,16	48	23	48	46
Loss (gain) on warrants	6,17	35	(30)	34	(49)
Share of loss of DynaMexico	10	10	(16)	17	(3)
		(484)	1,086	(1,277)	884
Changes in non-cash working capital items	26	384	(930)	1,639	(2,074)
		(100)	156	362	(1,190)
FINANCING ACTIVITIES					
Repayment of loan payable		(1,481)	-	(1,481)	-
		(1,481)	-	(1,481)	-
INVESTING ACTIVITIES					
Purchase of plant and equipment	9	-	(201)	-	(211)
Investment in Oroco Resources Corp.	6	-	-	-	(977)
Investment in DynaMexico	10	-	-	(111)	(120)
Exploration and evaluation properties	11	(45)	(1,662)	(210)	(1,988)
Developing and operating properties	12	605	-	1,015	-
		560	(1,863)	694	(3,296)
Decrease in cash and cash equivalents		(1,021)	(1,707)	(425)	(4,486)
Cash and cash equivalents, beginning of period		1,559	5,709	963	8,488
Cash and cash equivalents, end of period		$ 538	$ 4,002	$ 538	$ 4,002
Cash and cash equivalents is comprised of:					
Cash	5	$ 517	$ 3,981	$ 517	$ 3,981
Short-term deposits	5	21	21	21	21
		$ 538	$ 4,002	$ 538	$ 4,002
Supplemental Cash Flow Information	26				

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

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

	Common Shares		Share	Contingent		Investment		
	Number (000's)	Amount	Option Reserve	Share Consideration	Translation Reserve	Revaluation Reserve	Deficit	Total Equity
January 1, 2014	136,437	128,768	7,322	4,672	(355)	-	(52,750)	87,657
Share-based compensation	-	-	23	-	-	-	-	23
Loss for the period	-		-	-	-	-	(1,769)	(1,769)
Other comprehensive loss	-	-	-	-	-	(3)	-	(3)
June 30, 2014	136,437	$ 128,768	$ 7,345	$ 4,672	$ (355)	$ (3)	$ (54,519)	$ 85,908

	Common Shares		Share	Contingent		Investment		
	Number (000's)	Amount	Option Reserve	Share Consideration	Translation Reserve	Revaluation Reserve	Deficit	Total Equity
January 1, 2013	130,937	128,011	7,279	3,305	(355)	-	(45,774)	92,466
Share-based compensation	-	-	45	-	-	-	-	45
Loss for the period	-	-	-	-	-	-	(791)	(791)
Other comprehensive loss	-	-	-	-	-	(628)	-	(628)
June 30, 2013	130,937	$ 128,011	$ 7,324	$ 3,305	$ (355)	$ (628)	$ (46,565)	$ 91,092

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

Goldgroup Mining Inc. is the parent company of its consolidated group ("Goldgroup'' or the "Company''). Goldgroup was incorporated in Quebec under the *Business Corporations Act* (Québec) and on July 28, 2011 it was continued under the *Business Corporations Act* (British Columbia). Its head office is located at Suite 1502 – 1166 Alberni Street, Vancouver BC, V6E 3Z3. Goldgroup together with its subsidiaries, is a Canadian-based gold producer and is focused on the acquisition, exploration and development of advanced stage gold-bearing mineral properties in the Americas. The Company's current gold production and exploration and development related activities are conducted exclusively in Mexico. Goldgroup owns and operates the Cerro Colorado mine in Sonora, along with a property portfolio that includes a 100% interest in the Caballo Blanco gold project in Veracruz, a 100% interest in the Cerro Prieto project in Sonora and a 50% interest in DynaResource de Mexico, S.A. de C.V., which owns 100% of San José de Gracia gold project in the state of Sinaloa. The Company is listed on the Toronto Stock Exchange ("TSX") under the symbol "GGA".

Going Concern

The Company has experienced recurring operating losses and has an accumulated deficit of $54,519 at June 30, 2014 (December 31, 2013 – $52,750). In addition the Company has (negative) working capital of $(3,683) (December 31, 2013 – $2,338). Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. The continuing operations of the Company are dependent upon its ability to arrange additional financing, favourably resolve the legal disputes with DynaUSA, complete the development of Caballo Blanco, including obtaining the necessary permits to operate, and achieving future profitable operations. These matters results in material uncertainties which may cast doubt on its ability to continue as a going concern. These financial statements do not include any adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

2. BASIS OF PRESENTATION

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

2. BASIS OF PRESENTATION (CONTINUED)

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its unaudited interim condensed consolidated financial statements. In addition, the preparation of the financial data requires that the Company's management make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Company's unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in note 2 to the Company's consolidated financial statements for the year ended December 31, 2013.

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

These unaudited condensed consolidated financial statements were approved for issue by the Board of Directors on August 13, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Standards Issued that have Unspecified Effective Date

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

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

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

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

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

i) $4,500 in cash;

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

iii) Issuing 5,500,000 common shares of the Company issued to Oroco at the date of closing;

iv) A promissory note to Oroco in the principal amount of $4,125 (the "Second Loan"), with the principal amount of the Second Loan bearing no interest and payable on the second anniversary of the closing of the Transaction. The Company may elect at its sole discretion to pay the principal amount of the Second Loan in cash or by issuing to Oroco 16,500,000 common shares;

v) A production royalty calculated as 20% of the difference between the market price of gold and $1,250 per ounce up to a maximum of US$90 per ounce of gold produced from the Cerro Prieto Project, for the greater of (i) the first 90,000 ounces of gold produced from the Project and (ii) all ounces of gold produced from the Cerro Prieto Project until the completion of five full years of commercial production.

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

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

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

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

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

The purchase price was calculated and allocated as follows:

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

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

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

5. CASH AND CASH EQUIVALENTS

		June 30, 2014		December 31, 2013
Cash at the bank and on hand				
US dollar	$	414	$	809
Canadian dollar		72		52
Mexican pesos		31		81
Short term deposits - Canadian dollar		21		21
	$	538	$	963

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

6. INVESTMENTS

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

		Quantity (000's)	Fair Value	
Oroco common shares	(a&b)	5,000	$	164
Oroco share purchase warrants	(a&c)	5,000		19
			$	183

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

b) The Company has designated its common shares of Oroco as available-for-sale financial assets and accordingly, changes in fair value are recorded in other comprehensive (income) loss in the period in which they occur. An unrealized gain (loss) of $Nil (2013 – ($628)) was recorded for the six months ended June 30, 2014. For the year ended December 31, 2013, there had been a significant and prolonged decline in the fair value of the common shares. As a result, the cumulative loss of $700 had been reclassified from equity (other comprehensive income) to the statement of loss.

c) The Oroco warrants are considered to be derivative financial instruments and are measured each period end at fair value through profit and loss. A derivative gain (loss) of $13 (2013 - $(39)) was recorded during the six months ended June 30, 2014.

7. RECEIVABLES

		June 30, 2014		December 31, 2013
Financial assets				
Receivables	$	91	$	22
Employee receivables		2		2
		93		24
Non-financial assets				
Value-added tax receivable (a)		3,207		4,377
Corporate tax receivable (a)		1,355		1,379
	$	4,655	$	5,780

a) As of June 30, 2014, $2,639 of the value-added tax and corporate tax receivable have been classified as non-current as management believes that collection may take more than one year to collect.

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

8. INVENTORIES

Inventories consist of the following:	June 30, 2014	December 31, 2013
Doré	$ 33	$ 177
Gold-in-process	-	92
Consumable supplies	1,552	1,763
	$ 1,585	$ 2,032

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

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

9. PLANT AND EQUIPMENT AND INTANGIBLE ASSET

	Plant and mining equipment	Machinery and equipment	Office equipment	Vehicles	Lab equipment	Total
Cost						
Balance , January 1, 2014	$ 9,129	$ 1,470	$ 259	$ 905	$ 72	$ 11,835
Additions	-	-	-	-	-	-
Disposal of fixed assets	(137)	-	(8)	-	-	(145)
Balance, June 30, 2014	8,992	1,470	251	905	72	11,690
Accumulated depreciation						
Balance, January 1, 2014	7,745	1,181	211	807	61	10,005
Depreciation for the period	385	11	2	31	2	431
Disposal of fixed assets	(137)	-	(6)	-	-	(143)
Balance, June 30, 2014	7,993	1,192	207	838	63	10,293
Net book value	$ 999	$ 278	$ 44	$ 67	$ 9	$ 1,397

The intangible asset relates to an Enterprise Resource Planning ("ERP") software implementation that occurred in 2012. The total cost of the software was $665 and the accumulated amortization recorded during the six months ended June 30, 2014 was $107 (2013 - $160). The net book value as of June 30, 2014 was $292 (2013 - $505).

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

9. PLANT AND EQUIPMENT AND INTANGIBLE ASSET (CONTINUED)

	Plant and mining equipment	Machinery and equipment	Office equipment	Vehicles	Lab equipment	Total
Cost						
Balance , January 1, 2013	$ 9,139	$ 1,282	$ 381	$ 909	$ 61	$ 11,772
Additions	181	11	10	8	-	210
Write-off of fixed assets	-	-	(147)	-	-	(147)
Balance, June 30, 2013	9,320	1,293	244	917	61	11,835
Accumulated depreciation						
Balance, January 1, 2013	6,187	976	281	739	60	8,243
Depreciation for the year	965	96	19	80	1	1,161
Write-off of fixed assets	-	-	(106)	-	-	(106)
Balance, June 30, 2013	7,152	1,072	194	819	61	9,298
Net book value	$ 2,168	$ 221	$ 50	$ 98	$ -	$ 2,537

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

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

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

The other 50% equity holder of DynaMexico is DynaResource, Inc. (“DynaUSA”). DynaUSA provides management and accounting services based on 2.5% of the cash expenditures incurred by DynaMexico.

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

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

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

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

	Six Months Ended June 30, 2014	Year Ended December 31, 2013
Investment, beginning of year	$ 18,056	$ 17,938
Funds invested	111	120
Share of loss	(16)	(2)
Investment, end of year	$ 18,151	$ 18,056

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

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

On March 11, 2014 the Company announced that DynaResource dropped its lawsuit in Dallas County District Court.

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

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

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

11. EXPLORATION AND EVALUATION PROPERTIES

11.1 Caballo Blanco

	Six Months Ended June 30, 2014	2013
Balance, beginning of the period	$ 64,468	$ 63,388
Exploration Costs		
Depreciation	42	51
Exploration	89	866
Fees and taxes	121	83
Balance, end of the period	64,720	64,388

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

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

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

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

As part of ongoing surface rights land negotiations with local property owners, the Company entered into surface land purchase agreements whereby it had agreed to pay $459 (5,961,000 pesos) by October 25, 2013 and $1,645 (21,360,053 pesos) by October 25, 2016 for specific surface rights. In October 2013 the Company and the local property owners verbally agreed to defer the surface land rights payments, originally due on October 25, 2013, by six months each and up to another six months in the event that the Company has not commenced construction on the Caballo Blanco project.

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

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

12. DEVELOPMENT AND OPERATING MINE PROPERTIES

Mine under construction - Cerro Prieto	**Note**	**Six Months Ended June 30, 2014**	**Year Ended December 31, 2013**
	12.1		
Balance, beginning of period		$ 11,155	$ -
Acquisition Costs		-	8,106
Development Costs			
Depreciation		146	100
Mine operations		3,192	1,258
Plant and lab		215	405
Engineering		139	62
Leach pad		285	296
Geology and drilling		301	293
Roads		-	157
Crusher		611	358
Restoration and decommissioning provision		143	
Royalties		110	
Other		138	120
Total costs for period		5,280	11,155
Revenue from sale of gold and silver		(4,517)	-
Balance, end of period		$ 11,918	$ 11,155

12.1 Cerro Prieto

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

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

The Cerro Prieto Project was acquired for total consideration of $8,106 (see Note 4). As part of consideration the Company has a production royalty calculated as 20% of the difference between the market price of gold and $1,250 per ounce up to a maximum of US$90 per ounce of gold produced from the Project, for the greater of (i) the first 90,000 ounces of gold produced from the Project and (ii) all ounces of gold produced from the Project until the completion of five full years of commercial production.

In addition, the project has an existing 2% net smelter return royalty.

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

12. DEVELOPMENT AND OPERATING MINE PROPERTIES (CONTINUED)

12.2 Cerro Colorado

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

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

13. TRADE AND OTHER ACCOUNTS PAYABLE

		June 30, 2014		December 31, 2013
Financial liabilities				
Trade payables	$	3,377	$	2,584
Employee payables		58		84
Payroll accruals		28		162
	$	3,463	$	2,830

The financial liabilities are non-interest bearing and are normally settled within 45 days.

14. LOAN PAYABLE

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

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

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

14. LOAN PAYABLE (CONTINUED)

	Six Months Ended June 30, 2014	Year Ended December 31, 2013
Loan balance, beginning of the period	$ 4,192	$ -
Loan on August 30, 2013	-	3,846
Interest expense	273	200
Legal fees	-	246
Repayments	(1,481)	-
Foreign exchange gain	(27)	(100)
Loan balance, end of period	$ 2,957	$ 4,192

The entire loan is due within twelve months therefore it has been classified as a current liability. The Company is in compliance with the loan requirements.

15. PROMISSORY NOTE PAYABLE

Pursuant to the “Oroco Agreement dated August 30, 2013 with Oroco (Note 4), a promissory note in the principal amount of $1,500 (the "First Loan"), bearing simple interest at a rate of 8% per annum and payable in six equal monthly instalments of $250 each, commencing on the later of January 31, 2015 and the first day of the month following the date the Cerro Prieto Project achieves commercial production. Interest will accrue on the principal amount of the First Loan from the date of closing of the Transaction and will be payable quarterly in arrears, on a declining balance, however, the Company's obligation to deliver such quarterly interest payments will be suspended until the Project achieves commercial production.

The undiscounted amount of estimated cash flows required to settle the promissory note payable are estimated to be $1,695, including interest of $195. The discounted amount of the promissory note at August 30, 2013 was $1,330, using a discount rate of 15%.

	Six Months Ended June 30, 2014	Year Ended December 31, 2013
Balance, beginning of period	$ 1,399	$ -
Issued on August 30, 2013 (face value)	-	1,500
Discount for present value	-	(169)
Interest expense	60	41
Accretion	48	27
Repayments	-	-
Balance, end of period	$ 1,507	$ 1,399

The Company is in compliance with the promissory note requirements.

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

16. DECOMMISSIONING AND RESTORATION PROVISION

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

Cerro Colorado

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

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

(ii) The discount rate used is 15%.

Cerro Prieto

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

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

(ii) The discount rate used is 15%.

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

	June 30, 2014	December 31, 2013
Opening	$ 950	$ 855
Addition for Cerro Prieto	143	-
Accretion expense	-	95
	$ 1,093	$ 950

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

17. WARRANT LIABILITY

	Warrants	Weighted average exercise price (C$)	Warrant liability (US$)
Balance, January 1, 2014	2,000,000	$ 1.25	$ 3
Change in fair value	-	-	45
Balance, June 30, 2014	2,000,000	$ 1.25	$ 48
Balance, January 1, 2013	2,000,000	$ 1.25	$ 90
Change in fair value	-	-	(87)
Balance, December 31, 2013	2,000,000	$ 1.25	$ 3

Expiry Date	Number of Warrants	Weighted average exercise price (C$/warrant)
November 26, 2015	2,000,000	$ 1.25

The fair value allocated to the warrants at June 30, 2014 was $48 (December 31, 2013 - $3) and is recorded as a derivative financial liability. The gain recognized in the statement of loss for the period ended June 30, 2014 and 2013 was $45 and $86, respectively, and is included in other (income) expenses.

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

18. EQUITY

18.1 Authorized

Unlimited number of common shares with no par value

18.2 Shares Issued

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

During the six months ended June 30, 2014, no share transactions occurred.

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

18. EQUITY (CONTINUED)

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

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

18.3 Share-based compensation expense

The Company has adopted a share option plan for which options to acquire up to 10% of the issued share capital, at the award date, may be granted to eligible optionees from time to time. Generally, share options granted have a maximum term of five years, and a vesting period and exercise price determined by the directors. The exercise price may not be less than the closing quoted price of the Company's common shares traded through the facilities of the exchange on which the Company's common shares are listed. As at June 30, 2014, share options available for issue under the plan were 13,643,657.

Total share options granted during the six months ended June 30, 2014 were nil (2013 – 125,000). Total share-based compensation expense recognized for the fair value of share options granted and vested during the six months ended June 30, 2014 was $23 (2013 - $45).

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

The following stock options were outstanding:

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

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

18. EQUITY (CONTINUED)

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

	Options Outstanding			Options Exercisable		
Exercise price (C$/option)	Options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (C$/option)	Options outstanding and exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price (C$/option)
$0.10 to $0.70	4,477,537	3.78	$0.20	2,743,787	3.40	$0.26
$0.71 to $1.15	-	-	-	-	-	-
$1.16 to $1.60	2,675,000	1.58	1.36	2,675,000	1.58	1.36
Total	7,152,537	2.95	$0.63	5,418,787	2.50	$0.80

18.4 Contingent share consideration

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

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

19. RELATED PARTY AND KEY MANAGEMENT TRANSACTIONS AND BALANCES

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

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

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

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

Key management compensation includes:	Six Months Ended June 30,			
	2014		**2013**	
Salaries [1]	$	264	$	325
Non-executive director fees		66		63
Benefits [1]		13		40
Bonuses [2]		-		43
Options [3]		19		12
	$	362	$	483

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

At June 30, 2014, trade and other accounts payable includes $36 (2013 - $53) owing to a director and/or officer and/or companies controlled by the directors. During the six months ended June 30, 2014 the Company paid legal fees totalling $33 (2013 - $nil) to a Company controlled by a director of the Company.

Due to the particulars Mexican law, it is common for operating companies to employ their workers through a management company. The employees of Granmin Mexico were employed by Pabelini, S.A. de C.V. ("Pabelini"), a company owned by the estranged spouse of the CEO. Under an agreement, dated June 1 ,2011 and expired May 31, 2014, between Granmin Mexico and Pabelini, Pabelini paid all of the Cerro Colorado and Cerro Prieto mine employees and Granmin Mexico administrative personnel and was reimbursed by Granmin Mexico. Pabelini charged a fee equal to 5% of the base salaries of the employees, before additions for statutory remittances. During the six months ended June 30, 2014 this fee totaled $47 (2013 - $81). This fee was meant to reimburse Pabelini for its office costs and administrative overhead costs incurred in managing the payroll and making all required remittances to the Mexican government in association with salaries of such employees. At June 30, 2014, amounts owing to (from) Pabelini totalled $14 (December 31, 2013 - $(77)). As of May 31, 2014 all of these employees were transitioned to an independent payroll company.

In addition to Pabelini, a number of expatriate workers employees were employed by Minop, S.A. de C.V. ("Minop"). Minop is a private company controlled by the son-in-law of the CEO. Under an agreement, dated October 1, 2011 and expiring September 30, 2014, Minop charged a service fee equal to 1.5% of base salary for employees earning greater than $100 per year and 3% for employees earning less than $100 base salary per year. During the six months ended June 30, 2014 this fee totaled $13 (2013 - $20). This fee was meant to reimburse Minop for administrative costs incurred by the company in providing these services. At June 30, 2014, amounts owing to Minop totalled $15 (December 31, 2013 - $80). As of June 30, 2014 the majority of the employees had transitioned to an independent payroll company.

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

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

20. COST OF SALES

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Raw materials	$ 1,239	$ 5,044	$ 2,520	$ 10,306
Salaries and employee benefits	276	1,047	666	2,034
Contractors	74	142	196	297
Royalties	70	310	153	519
Change in inventories	21	(176)	236	(657)
Write-off inventory	-	200	-	200
Other	104	73	238	143
	1,784	6,640	4,009	12,842
Depreciation and depletion	117	551	244	1,102
	$ 1,901	$ 7,191	$ 4,253	$ 13,944

21. ADMINISTRATIVE COSTS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Salaries and consulting	$ 192	$ 315	$ 413	$ 695
Office and rent	111	114	218	386
Insurance proceeds for legal costs	(323)	-	(323)	-
Amortization	55	57	104	115
Investor relations	36	41	70	83
Professional fees	414	351	772	834
Travel	27	39	70	73
Share-based compensation expense	10	25	23	45
Interest income	(24)	(9)	(27)	(17)
Other	21	10	96	112
	$ 519	$ 943	$ 1,416	$ 2,326

22. OTHER (INCOME) EXPENSES

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Accretion expense	$ -	$ 23	$ -	$ 46
Interest and other	183	24	381	26
Loss (gain) on warrants	35	(29)	34	(49)
Foreign exchange loss (gain)	187	(304)	49	(324)
Exploration - project generation	1	42	2	155
Exploration - Cerro Colorado	2	76	8	145
	$ 408	$ (168)	$ 474	$ (1)

23. RISK MANAGEMENT

23.1 Financial Risk Management

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

a. Credit Risk

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

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

b. Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. The Company is dependent on cash flow from mining operations, capital raised from issuances of common shares and sale of assets to fund its business activities. The Company uses cash forecasts to ensure as far as possible that there is sufficient cash on hand to meet short-term business requirements. The Company's cash is invested in highly liquid investments which are available to discharge obligations when they come due. Most of the Company's financial liabilities have contractual maturities of less than 30 days. Other than the promissory note payable and loan payable which are have repayment terms exceeding one year, all of the Company's other financial obligations are due within one year. In the normal course of business the Company enters into contracts that give rise to commitments for future payments (Note 24). The Company does not maintain a line of credit.

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

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

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

23. RISK MANAGEMENT (CONTINUED)

As at June 30, 2014	Current	Non-current	
	Within 1 year	1 to 3 years	Later than 3 years
Trade and other accounts payable	$ 3,463	$ -	$ -
Promissory note payable	1,600	-	-
Loan payable	3,117	-	-
Total	$ 8,180	$ -	$ -

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

c. **Market Risk**

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

i. **Interest rate risk**

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

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

ii. **Price risk**

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

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

23. RISK MANAGEMENT (CONTINUED)

iii. Foreign currency risk

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

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

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

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

	Canadian dollar (Cdn $)		Mexican Peso (Peso)	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Financial assets				
Cash and cash equivalents	$ 98	$ 77	$ 449	$ 1,061
Receivables	28	7	60,048	77,712
	$ 126	$ 84	$ 60,497	$ 78,773
Financial liabilities				
Trade and other accounts payable	$ 230	$ 295	$ 17,686	$ 12,028
Loan payable	3,156	4,463	-	-
	$ 3,386	$ 4,758	$ 17,686	$ 12,028

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

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

23. RISK MANAGEMENT (CONTINUED)

	Canadian Dollars	Mexican Pesos
Financial assets	$126	60,497
Financial liabilities	(3,386)	(17,686)
Net foreign currency working capital	$(3,260)	$42,811
US$ exchange rate	0.937	0.077
Net foreign currency working capital in US$	(3,055)	3,296
Foreign exchange loss on a 10% strengthening of the US$	305	330
Foreign exchange gain on a 10% weakening of the US$	305	330

23.2 Fair Values

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

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

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

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

	Level 1 $	Level 2 $	Level 3 $
Assets			
Cash and cash equivalents	$ 538	$ -	$ -
Receivables	$ -	$ 4,655	$ -
Marketable securities	$ 164	$ -	$ -
Warrant derivative assets	$ -	$ -	$ 19
Liabilities			
Trade and other accounts payable	$ -	$ 3,463	$ -
Loan payable	$ -	$ (2,957)	$ -
Warrant liability	$ -	$ -	$ (48)
Promissory note payable	$ -	$ (1,507)	$ -

23. RISK MANAGEMENT (CONTINUED)

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

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

Level 3 – Unobservable inputs for the asset or liability.

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

24. COMMITMENTS

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

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

As part of ongoing surface rights land negotiations with local property owners, the Company has entered into surface land purchase agreements whereby it has agreed to pay $459 (5,961,280 pesos) by October 25, 2013 and $1,887 (24,500,000 pesos) by October 25, 2016 for specific surface rights. On October 24, 2013 the Company and the local property owners agreed to defer the surface land rights payments, originally due on October 25, 2013, by six months each and up to another six months in the event that the Company has not commenced construction on the Caballo Blanco project.

Effective November 1, 2011, the Company entered into rental agreements to occupy land located at Caballo Blanco for a period of ten years. The estimated annual rental payments through October 31, 2021 are $231 (3,000,000 pesos).

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

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

25. SEGMENTED INFORMATION

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

During the three months ended March 31, 2014 and 2013, 100% of the Company's sales were to two third parties. The balance owing from these parties at March 31, 2014 and 2013 was $nil.

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

			June 30, 2014
	Canada	Mexico	Total
ASSETS			
Current assets	$ 653	$ 3,785	$ 4,438
Receivables (non-current)	-	2,639	2,639
Plant and equipment	5	1,392	1,397
Enterprise resource planning software	292	-	292
Investment in DynaMexico	-	18,151	18,151
Exploration and evaluation properties	-	64,720	64,720
Development and operating properties	-	11,918	11,918
LIABILITIES			
Trade and other accounts payable	(435)	(3,028)	(3,463)
Taxes payable	-	(194)	(194)
Decommissioning and restoration provision	-	(1,093)	(1,093)
Promissory note payable	(1,507)	-	(1,507)
Loan payable	(2,957)	-	(2,957)

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

25. SEGMENTED INFORMATION (CONTINUED)

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

Selected financial information by operating segments is as follows:

	Six Months Ended June 30,	
	2014	**2013**
Revenue		
Mining operations	$ 4,528	$ 16,614
Income (loss) before income taxes for the period		
Mining operations	$ 275	$ 2,670
Exploration and evaluation	26	(297)
Corporate	(1,836)	(2,066)
	$ (1,535)	$ 307

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

25. SEGMENTED INFORMATION (CONTINUED)

	Mining Operations	Exploration and Development	Corporate	June 30, 2014 Total
Current assets	$ 3,433	$ 352	$ 653	$ 4,438
Receivables (non-current)	2,639	-	-	2,639
Plant and equipment	1,119	274	4	1,397
Intangible asset	-	-	292	292
Investment in DynaMexico	-	18,151	-	18,151
Exploration and evaluation properties	-	64,720	-	64,720
Development and operating properties	11,918	-	-	11,918
	$ 19,109	$ 83,497	$ 949	$ 103,555

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

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

26. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating working capital items:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	**2013**	**2014**	**2013**
Receivables	$ 1,714	$ (4)	$ 1,124	$ (208)
Inventories	28	(151)	447	(554)
Prepaids and deposits	(13)	173	406	45
Trade and other accounts payable	(2,839)	(1,524)	(2,148)	(1,582)
Accounts payable for exploration and evaluation properties	1,407	582	1,390	225
Interest payable on loan payable and promissory note payable	159	-	333	-
Taxes payable	(72)	(6)	87	-
	$ 384	$ (930)	$ 1,639	$ (2,074)

Non-cash investing transactions not included in cash flows:

Depreciation capitalized to properties	$ 99	$ 26	$ 189	$ 52
Accretion expense	$ -	$ 23	$ -	$ 46

27. SUBSEQUENT EVENTS

(i) On July 29, 2014 Goldgroup announced its intention to complete a non-brokered private placement financing to raise at least $1,000 at a price of CAD$0.20 per unit. Each unit will consist of one common share and one half of one non-transferable share purchase warrant. Each full warrant entitles the holder to purchase one additional common share of the Company at a price of CAD$0.25 for a period of twenty-four months. The common shares from this private placement will be subject to a four-month hold period.

On August 12, 2014, Goldgroup closed the first tranche of the non-brokered private placement of 5,535,909 units at a price of CAD$0.20 per unit for gross proceeds of CAD$1,107 (USD$1,017). Finder's fees of $81 are payable to an arm's length party.