Goldgroup Mining Inc.

Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(expressed in thousands of US dollars, except where indicated)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Goldgroup Mining Inc.

We have audited the accompanying consolidated financial statements of Goldgroup Mining Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of income (loss) and comprehensive income (loss), cash flows and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Goldgroup Mining Inc. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Goldgroup Mining Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

March 29, 2018

Goldgroup Mining Inc.

Consolidated Statements of Financial Position

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

	Note	December 31, 2017	December 31, 2016
Assets			
Current assets			
Cash and cash equivalents	6	$ 1,376	$ 897
Other receivables and prepaid expenses	5,6	492	1,693
Inventory	7	3,063	2,409
		4,931	4,999
Investments	6,8	159	110
Receivables	5	1,531	1,679
Property, plant and equipment	10	2,979	1,831
Exploration and evaluation properties	11	2,310	1,409
Mineral property	14	4,509	5,577
Total assets		$ 16,419	$ 15,605
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	$ 4,620	$ 3,624
Tax payable		302	605
Loan payable	6,15	268	571
		5,190	4,800
Warrant liability	6,18	67	182
Deferred tax liability	23	326	524
Loan payable	6,15	802	-
Decommissioning obligation	17	1,349	1,901
Total liabilities		7,734	7,407
Shareholders' equity			
Share capital	19	134,405	134,389
Contingent share consideration	25	3,305	3,305
Reserves		7,915	7,507
Deficit		(136,940)	(137,003)
Total shareholders' equity		8,685	8,198
Total liabilities and shareholders' equity		$ 16,419	$ 15,605

Nature of operations and going concern (note 1)
Commitments (note 25)

Approved by the Board of Directors

"Keith Piggott" Director "Corry Silbernagel" Director

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

Goldgroup Mining Inc.

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

For the year ended December 31, 2017 and 2016
(amounts expressed in thousands of US dollars, except where indicated)

	Note	2017	2016
Revenue			
Gold sales		$ 17,992	$ 14,685
Silver sales		758	910
		18.750	15.595
Cost of operation			
Cost of sales	21	(14,792)	(12,912)
Depreciation and depletion		(2,008)	(1,199)
		1,950	1,484
Other (expenses) income			
Depreciation	10	(4)	(13)
Share-based compensation	19,20	(315)	(387)
General and administrative		(1,159)	(1,710)
Salary and consulting	20	(1,117)	(1,187)
Professional fees	20	(681)	(1,428)
Gain on sale of contingent receivable	25	-	1,900
Gain on disposal of available for sale investments	8	18	3,025
Finance cost	22	(210)	(1,797)
Impairment of Monarch Loan Receivable	9	-	(614)
Gain on settlement of decommissioning liability	17	950	-
Loss on settlement of debt	16	-	(69)
Write-off of obsolete property and equipment	10	(143)	-
Gain on disposition of subsidiaries		-	90
Unrealized derivative gain (loss) – warrant liability	18	264	(36)
Foreign exchange gain		160	176
Other income		347	132
Income (loss) before income taxes		60	(434)
Income taxes expense – current	23	(195)	(190)
Income taxes recovery (expense) – future	23	198	(524)
Income (loss) for the year		63	(1,148)
Other comprehensive (loss) income			
Unrealized gain on available for sale investments	8	117	2,889
Reclassification of gain on disposal included in net loss	8	(18)	(3,025)
Foreign currency translation		-	47
Loss and comprehensive income (loss) for the year		$ 162	(1,237)
Loss per share – basic & diluted		$ (0.00)	$ (0.01)
Weighted average shares outstanding (000's) – basic & diluted		185,123	180,343
Total shares issued and outstanding (000's)		185,137	184,912

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

Goldgroup Mining Inc.

Consolidated Statements of Cash Flows

For the year ended December 31, 2017 and 2016
(amounts expressed in thousands of US dollars, except where indicated)

	Notes	2017	2016
Cash provided by (used in) operating activities			
Income (loss) for the year		$ 63	$ (1,148)
Items not affecting cash:			
Depreciation	10	571	164
Depletion	14	1,437	1,049
Deferred tax expense (recovery)	23	(198)	524
Share-based compensation	19	315	387
Unrealized foreign exchange gain		(6)	(234)
Finance cost		173	1,641
Gain on sale of contingent receivable	25	-	(1,900)
Gain on disposition of subsidiaries		-	(90)
Decommissioning obligation accretion	17	29	21
Impairment of Monarch Loan Receivable	9	-	614
Unrealized derivative loss (gain) – warrant liability	18	(264)	36
Gain on settlement of decommissioning liability	17	(950)	-
Loss on settlement of debt	16	-	69
Write-off of obsolete property and equipment	10	143	-
Gain on disposal of available for sale investments	8	(18)	(3,025)
Change in non-cash operating working capital:			
(Increase) decrease in other receivables and prepaid expenses		1,349	(445)
Increase (decrease) in inventory		(567)	409
Increase (decrease) in tax payable		(888)	347
Increase in accounts payable and accrued liabilities		1,557	1,157
		2,746	(424)
Cash flows provided by (used in) financing activities			
Proceeds from the issuance of warrants		-	688
Proceeds from exercise of options		10	86
Proceeds from new loan drawn from Credipresto (net of legal costs)	15	475	-
Repayment of principle of promissory note	16	-	(805)
Repayment of interest on promissory note	16	-	(114)
Repayment of loan payable	16	-	(2,444)
Proceeds from facility, net of fees		-	517
Repayment of interest and commitment fee on loan payable	15	-	(146)
		485	(2,218)
Cash flows provided by (used in) investing activities			
Purchase of property, plant and equipment		(1,949)	(1,236)
Proceeds from sale of available for sale investments	8	74	4,694
Increase in loans receivable		-	521
Proceeds on sales of subsidiaries		-	65
Pre-production developing and operating costs		-	(5,796)
Recovery from pre-production sales	13	-	5,284
Exploration and evaluation property		(877)	(635)

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

Decrease in restricted cash		-	420
		(2,752)	3,317
Increase in cash and cash equivalents		479	675
Cash and cash equivalents – beginning of year		897	222
Cash and cash equivalents – end of year		$ 1,376	$ 897
Cash and cash equivalents consists of:			
Cash		1,349	872
Cash equivalents		27	25
Cash and cash equivalents – end of year		$ 1,376	$ 897

Supplemental cash flow information (note 27)

Goldgroup Mining Inc.

Consolidated Statement of Changes in Shareholders' Equity

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

	Notes	Shares ('000)	Share capital	Contingent shares (Note 25)	Share based compensation reserves	Foreign currency translation reserves	Investment revaluation reserves	Deficit	Total equity
January 1, 2017		184,912	$ 134,389	$ 3,305	$ 7,951	$ (308)	$ (136)	$ (137,003)	$ 8,198
Income for the year		-	-	-	-	-	-	63	63
Unrealized loss on investments	8	-	-	-	-	-	117	-	117
Loss on disposal of investments	8	-	-	-	-	-	(18)	-	(18)
Stock options exercised		225	16	-	(6)	-	-	-	10
Share-based compensation	19	-	-	-	315	-	-	-	315
Balance at December 31, 2017		185,137	$ 134,405	$ 3,305	$ 8,260	$ (308)	$ (37)	$ (136,940)	$ 8,685
January 1, 2016		167,095	$ 132,648	$ 3,305	$ 7,596	$ (355)	$ -	$ (135,855)	$ 7,339
Loss for the year		-	-	-	-	-	-	(1,148)	(1,148)
Unrealized loss on investments	8	-	-	-	-	-	2,889	-	2,889
Loss on disposal of investments	8	-	-	-	-	-	(3,025)	-	(3,025)
Stock options exercised		915	118	-	(32)	-	-	-	86
Shares issued on settlement of Oroco loan	16	4,691	269	-	-	-	-	-	269
Shares issued on facility extension	15	8,642	442	-	-	-	-	-	442
Warrants exercised		3,569	912	-	-	-	-	-	912
Cumulative translation adjustment		-	-	-	-	47	-	-	47
Share-based compensation	19	-	-	-	387	-	-	-	387
Balance at December 31, 2016		184,912	$ 134,389	$ 3,305	$ 7,951	$ (308)	$ (136)	$ (137,003)	$ 8,198

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 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 and Ecuador. Goldgroup owns a property portfolio that includes a 100% interest in the operating Cerro Prieto project in Sonora, which commenced commercial production on April 1, 2016 for accounting purposes. The Company is listed on the Toronto Stock Exchange ("TSX") under the symbol "GGA".

Going Concern

The Company has experienced recurring operating losses and has an accumulated deficit of $136,940 at December 31, 2017 (December 31, 2016 – $137,003). In addition, as at December 31, 2017, the Company has working capital deficit of $259 (December 31, 2016 – working capital $199). 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 12). These matters result in material uncertainties which may cast significant doubt about the Company's on its ability to continue as a going concern. These financial statements do not include any adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the classifications used in the statement of financial position.

2 Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies set out below were consistently applied to all the years presented.

The Board of Directors approved these consolidated financial statements on March 29, 2018.

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value.

New Accounting Standards Issued But Not Yet Effective

IFRS 9 – Financial Instruments ("IFRS 9")

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

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

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

In May 2014, IASB issued IFRS 15 to replace IAS 18 – Revenue, which establishes a new single five-step control-based revenue recognition model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Company has analyzed the impact of adopting IFRS 9 and IFRS 15 and anticipates that there will be no material changes as a result of adopting these standards.

IFRS 16 – Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee The IASB issued IFRS 16, Leases, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted, but only in conjunction with IFRS 15.

The Company has not yet completed the process of assessing the impact of IFRS 16 will have on its consolidated financial statements, or whether to early adopt this new requirement.

3 Estimates, risks and uncertainties

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

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

Significant judgments in applying accounting policies

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

(i) Impairment of assets

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

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

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

(iii) Functional currency

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

(iv) Commencement of commercial production

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

Key sources of Estimation Uncertainty

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

(i) Mineral Reserves Estimation

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

(ii) Depreciation and depletion

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

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

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

(iii) Inventories

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

Costs are attributed to the leach pads based on current mining costs, including applicable depreciation and depletion relating to mining operations incurred up to the point of placing the ore on the pad. Costs are removed from the leach pad based on the average cost per recoverable ounce of gold on the leach pad as the gold is recovered. Estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the pads, the grade of ore placed on the leach pads and an estimated percentage of recovery. Timing and ultimate recovery of gold contained on leach pads can vary significantly from the estimates. The quantities of recoverable gold placed on the leach pads are reconciled to the quantities of gold actually recovered (metallurgical balancing), by comparing the grades of ore placed on the leach pads to actual ounces recovered. The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the

metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time. The ultimate recovery of gold from a pad will not be known until the leaching process is completed.

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

(iv) Decommissioning and restoration provision

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

(v) Share-based payments

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

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

(vi) Contingencies

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

(vii) Deferred taxes

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

(viii) Impairment

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

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

4 Significant accounting policies

Principles of consolidation

Subsidiaries

Subsidiaries are all entities controlled by the Company. An investor controls an investee when it is exposed or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. These consolidated financial statements include the financial statements of the Company and its subsidiaries:

	Property	Location	As at December 31, 2017	As at December 31, 2016
Subsidiaries				
Granmin Malaysia Ltd. ("Granmin Malaysia")	-	Malaysia	100%	100%
Granmin SA de CV ("Granmin Mexico")	Cerro Colorado	Mexico	100%	100%
Minera Calipuy SA de CV ("Calipuy")	-	Mexico	100%	100%
Goldgroup Resources Inc. ("Holdings")	-	Canada	100%	100%
0919921 B.C. Ltd.	-	Mexico	100%	100%
0788598 B.C. Ltd.	-	Canada	100%	100%
0788601 B.C. Ltd.	-	Canada	100%	100%
091152 B.C. Ltd.	-	Canada	100%	100%
Minera Polimetalicos Mexicanos S.A.	-	Panama	100%	100%
Minas de Oroco Resources SA de CV	Cerro Prieto	Mexico	100%	100%
Minera Cardel SA de CV ("Minera Cardel")	-	Mexico	100%	100%
Goldgroup Ecuador Holdings Inc.	El Mozo	Ecuador	80%*	80%*
DynaResource de Mexico SA de CV ("DynaMexico")	San José de Gracia	Mexico	50%	50%

All intercompany transactions and balances have been eliminated on consolidation. During the year ended December 31, 2016, the Company dissolved Candymin SV de CV and sold GGR Candelero SA de CV and Gold Opmin SA de CV.

*The Company holds the option to earn into 80% of the El Mozo property (note 11).

Investment in associates:

Associates are entities over which the Company has significant influence and that are neither subsidiaries nor interests in joint ventures. Significant influence is the ability to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies. In general, significant influence is presumed to exist when the Company has between 20% and 50% of voting power. Significant influence may also be evidenced by factors such as the Company's representation on the board of directors, participation in policy-making of the investee, material transactions with the investee, interchange of managerial personnel, or the provision of essential technical information. Associates, except when classified as held-for-sale, are equity accounted for from the effective date of commencement of significant influence to the date that the Company obtains control or ceases to have significant influence.

Results of associates are equity accounted for using the results of their most recent annual and interim financial statements. Losses from associates are recognized in the consolidated financial statements until the interest in the associate is written down to nil. Thereafter, losses are recognized only to the extent that the Company is committed to providing financial support to such associates.

The carrying value of the investment in an associate represents the cost of the investment, including a share of the post-acquisition earnings and losses, accumulated other comprehensive income (''AOCI'') and any impairment losses. At the end of each reporting period, the Company assesses whether there is any objective evidence that its investments in associates are impaired.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within ninety days of purchase.

Foreign currency translation

The consolidated financial statements are presented in US dollars which is also the functional currency of the Company and its subsidiaries. Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Foreign exchange gain and losses are included in profit or loss.

Revenue Recognition

Revenue from the sale of metals is recognized when all of the following conditions have been satisfied:

- The significant risks and rewards of ownership have been transferred;
- Neither continuing managerial management involvement to the degree usually associated with ownership nor effective control over the goods sold has been retained;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Inventories

Finished goods (doré inventory) and heap leach ore are valued at the lower of average production cost and net realizable value. Doré represents a bar containing predominantly gold by value which must be refined offsite to return saleable metals. Net realizable value is the amount estimated to be obtained from sale of the inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale. The production cost of inventories is determined on a weighted average basis and includes cost of raw materials, direct labour, mine-site overhead and depreciation and depletion of mine properties and plant and equipment.

The recovery of gold and by-products from oxide ores is achieved through the heap leaching process at the Cerro Prieto mine. Under this method, ore is placed on leach pads where it is treated with a chemical solution which separates the gold contained in the ore. The time required for the majority of the gold to be recovered utilizing heap leaching is over a period of up to 120 days. The resulting "pregnant" solution is further processed in a plant where the gold is recovered. Operating costs at each stage of the process are capitalized and included in work-in-process inventory based on current mining and leaching costs, including applicable depreciation and depletion relating to the mine properties and plant and equipment. These costs are removed from heap leach inventory as ounces of gold are recovered at the average cost per ounce per recoverable ounce of gold on the leach pads. Estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the leach pads (measured tonnes added to leach pads), the grade of ore placed on the leach pads (based on assays analysis), and a recovery percentage (based on testing and ongoing monitoring of the rate of gold recoveries).

Consumable supplies and spare parts expected to be used in production are valued at the lower of weighted average cost or net realizable value, which includes the cost of purchase as well as transportation and charges to bring them to their existing location and condition.

A write-down of inventory is recognized as an expense in profit or loss in the period the write-down occurs. Reversal of any write-down of inventory, arising from an increase in net realizable value, is recognized in profit or loss as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Property, Plant and Equipment

Property, plant and equipment ("PPE") are recorded at cost and carried net of accumulated depreciation and accumulated impairment losses. Costs of additions and improvements are capitalized. An item of PPE is derecognized upon disposal, or

impaired when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the proceeds and the carrying amount of the asset is recognized in profit or loss.

Plant assets used in commercial production are subject to depreciation and depletion over their useful life. For buildings and machinery, the UOP method is applied where the mine operating plan calls for production from well-defined mineral deposits. Where total mineral deposits are not determinable because ore bearing structures are open at depth or are open laterally, the straight-line method is applied over the estimated life of the mine.

For transportation, computer and other equipment, the straight-line method is also applied over the estimated useful lives of the assets:

	Years
Machinery	3-5
Office and furniture	3-5
Vehicles	3-4
Lab equipment	3-5
Leasehold improvements	lesser of 5 years straight line or term of lease

Major overhaul expenditures on mobile equipment and other tangible property, including replacement spares and labour costs, are capitalized and amortized over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance of the mobile equipment are charged to operating costs if it is not probable that future economic benefits will flow to the Company.

Mineral Properties

(i) Pre-license costs:

Costs incurred before the Company has obtained the legal right to explore are expensed as incurred.

(ii) Exploration and evaluation costs:

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized on a property by property basis, including the costs of acquiring, maintaining its interest in, exploring and evaluating mineral properties until such time as the lease expires, the mineral properties abandoned, sold or considered impaired in value or is transferred to mines under construction as development cost. Indirect administrative costs are expensed as incurred. Exploration and evaluation properties are not amortized during the exploration and evaluation stage.

(iii) Mines under construction and development costs:

When technical feasibility and economic viability of projects have been determined and the decision to proceed with development has been approved, the expenditures related to construction are capitalized as mines under construction and classified as a component of mine properties, property, plant and equipment once an impairment test has been completed. Costs associated with the commissioning of new assets, in the pre-commercial period before they are operating in the way intended by management, are capitalized, net of any preproduction revenues. Commercial production is deemed to have occurred when management determines certain production parameters are met.

In order for production to occur, the Company must first obtain exploitation and other permits on such properties. Such permits are subject to the approval of the local government and government controlled entities. Unless and until such permits are obtained there can be no assurance that such permits will be obtained. As such, permits need to be obtained before costs are reclassified from exploration and evaluation properties to mines under construction.

(iv) Mine properties:

Once a mineral property has been brought into commercial production as intended by management, costs of any additional work on that property are expensed as incurred, except for large development programs, which will be deferred and depleted

over the remaining useful life of the related assets. Mine properties include deferred stripping costs and decommissioning and restoration costs related to the reclamation of mine properties. Mine properties are derecognized upon disposal, or impaired when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the proceeds received and the carrying amount of the asset is recognized in profit or loss.

Costs of producing mine properties are depreciated and depleted on the UOP basis using estimated resources. Depreciation or depletion is recorded against the mine property only upon the commencement of commercial production.

Exploration expenditures are expensed as incurred at mine properties, unless the nature of the expenditures are to convert mineral resources into mineral reserves or in the absence of a mineral resource estimate, are to define areas to be included in the mine plan. Any amounts deferred in this regard are depreciated based on the UOP method.

Mine properties are recorded at cost, net of accumulated depreciation and depletion and accumulated impairment losses and are not intended to represent future values.

Recovery of capitalized costs is dependent on successful development of economic mining operations or the disposition of the related mineral property.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, non-compliance with regulatory requirements or title may be affected by undetected defects.

Stripping Costs

Stripping costs incurred during the development of a mine are capitalized in mine properties. Stripping costs incurred subsequent to commencement of commercial production are variable production costs that are included in the costs of inventory produced during the period in which the stripping costs are incurred, unless the stripping activity can be shown to give rise to future benefits from the mineral property, in which case the stripping costs would be capitalized. Future benefits arise when stripping activity increases the future output of the mine by providing access to a new ore body. Capitalized stripping costs are depleted based on the UOP method, using mineral reserves as the depletion base.

Decommissioning and Restoration

The Company is subject to various governmental laws and regulations relating to the protection of the environment. The environmental regulations are continually changing and are generally becoming more restrictive.

Decommissioning and restoration obligations encompass legal, statutory, contractual or constructive obligations associated with the retirement of a long-lived tangible asset (for example, mine or site reclamation costs) that results from the acquisition, construction, development and/or normal operation of a long-lived asset. The retirement of a long-lived asset is reflected by an other-than-temporary removal from service, including sale of the asset, abandonment or disposal in some other manner.

The present value of a liability for decommissioning and restoration is recorded in the period in which the obligation first arises. The Company records the estimated present value of future cash flows associated with site closure and reclamation as a long-term liability and increases the carrying value of the related assets for that amount. Over time, the liability is increased to reflect an interest element in the estimated future cash flows (accretion expense) considered in the initial measurement of fair value. The capitalized cost is depleted or depreciated on either the unit-of-production basis or the straight-line basis, as appropriate. The Company's estimates of its provision for decommissioning and restoration obligations could change as a result of changes in regulations, changes to the current market-based discount rate, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for in the period in which these estimates are revised.

Impairment of Non-Financial Assets

For the purposes of assessing impairment, the recoverable amount of an asset, which is the higher of its fair value less costs to sell and its value in use, is estimated. If it is not possible to estimate the recoverable amount of an individual asset, the asset is included in the cash-generating unit to which it belongs and the recoverable amount of the cash generating unit is estimated. As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level. A cash-generating unit is

the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Intangible assets with an indefinite useful life and intangible asset not yet available for use are also tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the asset is impaired such as decreases in metal prices, an increase in operating costs, a decrease in mineable reserves or a change in foreign exchange rates. The Company also considers net book value of the asset, the ongoing costs required to maintain and operate the asset, and the use, value and condition of the asset.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the value-in-use, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Future cash flows used in the determination of value in use are estimated based on expected future production, recoverability of reserves, commodity prices, operating costs, reclamation costs and capital costs. Management estimates of future cash flows are subject to risks and uncertainties. It is reasonably possible that changes in estimates could occur which may affect the recoverable amounts of assets, including the Company's investments in mine properties.

Fair value is determined with reference to discounted estimated future cash flow analysis or on recent transactions involving dispositions of similar properties.

An impairment loss for a cash-generating unit is first allocated to reduce the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is allocated on a pro rata basis to the other assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist or may have decreased. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, however only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years.

Provisions

Liabilities are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a financing expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is certain that a reimbursement will be received and the amount receivable can measured reliably.

Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are based on differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects taxable profit or accounting profit. Deferred tax liabilities on temporary differences associated with shares in subsidiaries and joint ventures is not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured, without discounting, using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized for all temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Share-based Payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled transactions and, when determinable, are recorded at the value of the goods and services received. If the value of the goods and services received are not determinable, then the fair value of the share-based payment is used.

The Company uses a fair value based method (Black-Scholes Option Pricing Model) for all share options granted to directors, employees and certain non-employees. For directors and employees, the fair value of the share options is measured at the date of grant. For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged to profit or loss, with the offsetting credit to share option reserve. For directors and employees, the share options are recognized over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods where vested. For non-employees, the share options are recognized over the related service period. When share options are exercised, the amounts previously recognized in share option reserve are transferred to share capital.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and/or warrants granted and/or vested during the period.

In the event share options are forfeited prior to vesting, the associated fair value recorded to date is reversed. The fair value of any vested share options that expire remain in share option reserve.

Contingent share consideration

When purchase consideration that is contingent on the future event is granted in an acquisition that does not constitute a business combination, the initial cost of the acquisition includes an estimate of the fair value of the contingent amounts expected to be payable in the future.

The fair value of the contingent amounts are based the number of contingent shares, the share price of the Company's on the date of acquisition and management's expectations of probability.

Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing net earnings (loss) (the numerator) by the weighted average number of outstanding common shares for the period (denominator). When diluted earnings per share is calculated, only those outstanding

share options and warrants and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive. Therefore basic and diluted loss per share is the same.

Segmented Reporting

In identifying its operating segments, management generally follows the Company's activities. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The activities are undertaken by the mine operating segment and the exploration and development segment and are supported by the corporate segment. Each segment is managed separately. The operating results of the segments are reviewed regularly by the Company's Chief Executive Officer (who is considered the chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Financial Instruments - Recognition and Measurements

(i) Non-derivative financial assets

Financial assets, other than derivatives, are classified as available-for-sale, held-to-maturity investments, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as available-for-sale are measured at fair value on initial recognition plus transaction costs and subsequently at fair value with unrealized gains and losses recognized in other comprehensive income (loss), except for financial assets that are considered to be impaired in which case the loss is recognized in profit or loss. The Company has classified its investments as available for sale.

Financial assets classified as held-to-maturity investments and loans and receivables are measured initially at fair value plus transaction costs and subsequently at amortized cost using the effective interest method. The Company's cash and cash equivalents and certain receivables are classified as loans and receivables.

Financial assets classified as FVTPL are measured on initial recognition and subsequently at fair value with unrealized gains and losses recognized in profit or loss. Transaction costs are expensed for assets classified as FVTPL. The Company has classified certain warrants as FVTPL.

(ii) Non-derivative financial liabilities

Financial liabilities, other than derivatives, are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities and loan payable are measured at amortized cost.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon recognition as FVTPL. Fair value changes on these liabilities are recognized in profit or loss. The Company has not designated any financial liabilities as FVTPL.

(iii) Derivative financial instruments

The Company issues warrants exercisable in a currency other than the Company's functional currency and as a result, the warrants are derivative financial instruments.

Derivative financial instruments are initially recognized at fair value and subsequently measured at fair value with changes in fair value recognized in profit or loss. Transaction costs are recognized in profit or loss as incurred.

Share Issuance Costs

Share issue costs, which includes commissions, facilitation payments, professional fees and regulatory fees, are charged directly to share capital.

Valuation of Equity Units Issued in a Private Placement

Shares and warrants issued as private placement units are measured using the residual value method whereby value is first allocated to the share component based on its fair value with the residual value being attributed to the warrant.

All of the Company's warrants are exercisable in a currency other than the functional currency of the Company. As a result, the fair value allocated to the warrant is recorded as a derivative financial liability and is marked to market at the end of each period. Upon exercise of the warrant, the fair value of the warrant at the date of exercise is transferred to share capital.

Comprehensive Income (loss)

Total comprehensive income (loss) comprises all components of profit or loss and other comprehensive income (loss). Other comprehensive income (loss) includes changes in revaluation surplus, actuarial gains and losses on defined benefit plans, gains and losses from translating the financial statements of a foreign operation, gains and losses on remeasuring available-for-sale financial assets.

5 Other receivables and prepaid expenses

	December 31, 2017	December 31, 2016
Current asset		
Financial assets		
Other receivables	$ 43	$ 156
Employee receivables	28	22
Non-Financial assets		
Value-added tax receivables	187	257
Corporate tax receivables	32	59
Total receivables	290	494
Prepaid expenses	202	1,199
	$ 492	$ 1,693
Non-current assets		
Non-Financial assets		
Value-added tax receivables	$ 750	$ 1,029
Other receivables	654	413
Corporate tax receivables	127	237
	$ 1,531	$ 1,679

6 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	December 31, 2017	December 31, 2016
Financial assets			
Loans and Receivables			
Cash and cash equivalents (1)	N/A	1,376	897
Receivables (1)	N/A	43	156
Available-for-sale Investments	Level 1	159	110
Financial liabilities			
Other financial liabilities			
Accounts payable & accrued liabilities (1)	N/A	4,620	3,624
Loan payable (3)	N/A	1,070	571
Derivative			
Warrant liability (2)	Level 3	67	182

(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 18.

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

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, and loans receivable. 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 26. The accounts payable and income taxes payable are due within the current operating period. The Company is exposed to liquidity risk.

Market Risk

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

Price Risk

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

Commodity Price Risk

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

Interest Rate Risk

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

Foreign Exchange Risk

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

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

The Company's financial assets and liabilities as at December 31, 2017 are denominated in United States Dollars, Canadian Dollars, and Mexican Pesos, and are set out in the following table:

	Canadian Dollars	US Dollars	Mexico Pesos	Total
Financial assets				
Cash and cash equivalents	$ 39	$ 1,278	$ 59	$ 1,376
Receivables - other	34	4	5	43
Investments	159	-	-	159
	232	1,282	64	1,578
Financial liabilities				
Accounts payable and accrued liabilities	(241)	(2,417)	(1,962)	(4,620)
Loan payable	-	(1,070)	-	(1,070)
Net financial (liabilities) assets	$ (9)	$ (2,205)	$ (1,898)	$ (4,112)

The Company's financial assets and liabilities as at December 31, 2016 are denominated in United States Dollars, Canadian Dollars, and Mexican Pesos, and are set out in the following table:

	Canadian Dollars	US Dollars	Mexico Pesos	Total
Financial assets				
Cash and cash equivalents	$ 105	$ 750	$ 42	$ 897
Receivables - other	68	48	40	156
Investments	110	-	-	110
	283	798	82	1,163
Financial liabilities				
Accounts payable and accrued liabilities	(163)	(1,764)	(1,697)	(3,624)
Loan payable	-	(571)	-	(571)
Net financial (liabilities) assets	$ 120	$ (1,537)	$ (1,615)	$ (3,032)

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 December 31, 2017, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial assets by approximately $nil (December 31, 2016 - $12). 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 $190 (December 31, 2016 - $161) 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.

December 31, 2017	**Current – within 1 year**	**Non- current – 1 to 3 years**
Accounts payable and accrued liabilities	$ 4,620	$ -
Loan payable	268	802
Tax payable	302	-
	5,190	802

December 31, 2016	**Current - within 1 year**	**Non- current – 1 to 3 years**
Accounts payable and accrued liabilities	$ 3,624	$ -
Loan payable	571	-
Tax payable	605	-
	4,800	-

7 Inventory

	December 31, 2017	December 31, 2016
Consumable supplies	$ 833	$ 645
Work in progress	1,461	1,281
Finished goods	769	483
	3,063	2,409

Cost of sales represents the amount of product inventory recognized as an expense. All of the Company's inventory on hand are located at the Cerro Prieto mine in Mexico. During the years ended December 31, 2017 $nil (2016 -$214) impairment was recorded in inventory.

8 Investments

	December 31, 2016 Fair value	Disposed	OCI	Foreign exchange	December 31, 2017 Fair value
Oroco common shares	$ 110	$ (74)	$ 117	$ 6	$ 159
	$ 110	$ (74)	$ 117	$ 6	$ 159

	December 31, 2015 Fair value	Disposed	OCI	Foreign exchange	December 31, 2016 Fair value
Oroco common shares	$ 72	$ -	$ 37	$ 1	$ 110
Timmins Gold common shares	1,679	(4,694)	2,852	163	-
	$ 1,751	$ (4,694)	$ 2,889	$ 164	$ 110

As at December 31, 2017 the Company held 2,500,000 common shares of Oroco Resource Corp. ("Oroco"). During the year ended December 31, 2017 the Company sold 2,500,000 (2016 - nil) Oroco shares for total proceeds of $74 (2016 - $nil) and sold nil (2016 – 12,182,050) Timmins Gold shares for total proceeds of $nil (2016 - $4,694). The amount of OCI recognized as a gain was $18 (2016 – $3,025).

9 Loans receivable

		December 31, 2017	December 31, 2016
Loans Receivable			
Opening balance		$ -	$ 1,084
Impairment		-	(614)
Repayment of loan		-	(521)
Foreign exchange		-	51
		$ -	$ -

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

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

During the year ended December 31, 2016, the Company consented to the restructuring and sale by Monarch of substantially all of its assets and operations to Cascadia Goldfields Company Ltd. ("Cascadia"). Pursuant to the restructuring and sale, Cascadia assumed the obligations of Monarch in respect of a CAD $2,500 loan previously made by the Company to Monarch, which is now overdue, and granted security in favour of the Company over all of the assets and operations acquired by Cascadia. Pursuant to the restructured loan, Cascadia will be obligated to pay CAD$1,500 in cash; in addition, to a royalty and common shares of Cascadia. Pursuant to the restructured loan, Cascadia will be obligated to make the following payments:

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

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

During the year ended December 31, 2016, as the Company had not received any of the scheduled payments since August 1, 2016, the Company wrote-off the loan receivable balance. The Company is currently in discussions with other interested parties and plans to realize value from the equipment and mineral property it has security over.

10 Property, plant and equipment

	Cost December 31, 2015	Additions	Disposals	December 31, 2016	Additions	Disposals	Write-off	December 31, 2017
Plant and mining equipment	$ 10,329	$ 482	$ -	$ 10,811	$ 1,228	$ (1,986)	$ (169)	$ 9,884
Machinery	1,174	541	-	1,715	849	-	-	2,564
Office and furniture	251	-	-	251	-	-	-	251
Vehicles	793	227	(20)	1,000	104	(72)	-	1,032
Lab equipment	72	-	-	72	-	-	-	72
	$ 12,619	$ 1,250	$ (20)	$ 13,849	$ 2,181	$ (2,058)	$ (169)	$ 13,803

	Acc. Dep. December 31, 2015	Depreciation	Disposals	December 31, 2016	Depreciation	Disposals	Write-off	December 31, 2017
Plant and mining equipment	$ 9,578	$ 122	$ -	$ 9,700	$ 452	$ (1,986)	$ (26)	$ 8,140
Machinery	1,130	97	-	1,227	322	-	-	1,549
Office and furniture	232	13	-	245	4	-	-	249
Vehicles	783	17	(20)	780	60	(25)	-	815
Lab equipment	66	-	-	66	5	-	-	71
	$ 11,789	$ 249	$ (20)	$ 12,018	$ 843	$ (2,011)	$ (26)	$ 10,824

Depreciation on property, plant and equipment for the year ended December 31, 2017 is $843 (2016 - $249) of which $729 (2016 - $172) is recorded as a cost of the mine, $4 (2016 - $13) is recorded as depreciation expense, $110 (2016 - $23) is included in inventory and $nil (2016 - $41) is capitalized to the Cerro Prieto property. During the year ended December 31, 2017, the Company wrote-off obsolete property and equipment and recorded a charge on the statement of loss and comprehensive income (loss) of $143 (2016 - $nil).

Carrying amount	December 31, 2017	December 31, 2016
Plant and mining equipment	$ 1,744	$ 1,111
Machinery	1,015	488
Office and furniture	2	6
Vehicles	217	220
Lab equipment	1	6
	$ 2,979	$ 1,831

11 Exploration and evaluation assets

	El Mozo Expenditures	Cerro Prieto Regional	Total
Balance December 31, 2015	$ 698	$ -	$ 698
Acquisition costs	50	-	50
Capitalized costs	661	-	661
Balance December 31, 2016	1,409	-	1,409
Acquisition costs	60	150	210
Capitalized costs	521	170	691
Balance December 31, 2017	$ 1,990	$ 320	$ 2,310

El Mozo

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

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

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

Option agreement terms

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

Earn in % of El Mozo Project	Obligation
15%	• Paying the Optionor $50 on or before June 13, 2016 (paid)
35%	• Fulfilled obligation to earn in 15% • Paying the Optionor $60 on or before June 13, 2017 (paid)
55%	• Fulfilled obligation to earn in 35% • Paying the Optionor $100 on or before June 13, 2018 • Incurred at least $1,000 in exploration expenditures on or before June 6, 2018
80%	• Fulfilled obligation to earn in 55% • Paying the Optionor $150 on or before June 13, 2019 • Incurred at least $1,000 (total $2,000 accumulated) in exploration expenditures on or before June 12, 2019 • Issuing $500 of common shares of Goldgroup to Optionor on or before June 13, 2019.

These earn-in obligations must be fulfilled on or before June 13, 2019. Upon successful earn-in on the El Mozo Project by 0990718, the Optionor has the right to convert its 20% interest in the El Mozo Project into a 2% NSR. If the Optionor converts its interest into a 2% NSR, 0990718 will have the right to purchase 50% of this NSR royalty by paying:

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

Cerro Prieto Regional

During the year ended December 31, 2017, the Company entered into an option agreement to purchase an additional exploration property in close proximity to the Cerro Prieto mine. The option payments per the agreement are as follows:

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

12 Investments in associate - DynaMexico

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

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

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

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

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

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

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

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

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

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

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

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

Results and Award from Arbitration

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

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

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

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

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

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

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

13 Development property

Carrying amount	Cerro Prieto
Balance, December 31, 2015	$ 10,163
Depreciation capitalized	41
Mine operations	872
Plant and lab	427
Engineering	283
Crusher	229
Royalties	28
Restoration	6
Gold Sales (pre-production)	(5,284)
Re-class to mineral property upon commercial production (note 14)	(6,765)
Balance, December 31, 2016	$ -

14 Mineral property

Carrying amount	Cerro Prieto
Balance, December 31, 2015	$ -
Reclassification from development property upon commercial production	6,765
Depletion	(1,188)
Balance, December 31, 2016	5,577
Change in estimate of reclamation obligation (note 17)	369
Depletion	(1,437)
Balance, December 31, 2017	$ 4,509

Cerro Prieto commenced commercial production on April 1, 2016 for accounting purposes. The project has an existing 2% NSR. In addition, there is a production royalty calculated as 20% of the difference between the market price of gold and $1,250 per ounce up to a maximum of US$90 per ounce of gold produced from the Cerro Prieto Project, of the greater of (i) the first 90,000 ounces of gold produced from the Project and (ii) all ounces of gold produced from the Cerro Prieto Project until the completion of five full years after certain criteria have been met.

15 Loan payable

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

obtained a $400 bridge loan from Credipresto of which $250 was repaid. The remaining $150 was rolled into the Facility subsequent to assignment from RMB.

Facility terms (as amended)

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

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

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

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

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

The total amount drawn down as at December 31, 2017 is $7,963 (December 31, 2016 - $7,935) which includes an additional draw totalling $28 which has been added to the principal during the year ended December 31, 2017 relating to finance cost and interest expenses rolled into the loan. The amount outstanding as at December 31, 2017 is $nil (December 31, 2016 $63).

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

	December 31, 2017	December 31, 2016
Balance, January 1	$ 63	$ 3,366
Loan drawdown	-	108
Transaction cost	-	(495)
Finance cost – accretion expense (note 22)	-	498
Finance cost – pro-rata write-off of transaction costs due to repayment (note 22)	-	691
Finance cost – standby fees (note 22)	22	44
Repayments – principal	-	(2,444)
Proceeds on sale of contingent receivable	-	(1,900)
Repayments – interest expense and standby fees	-	(146)
Finance cost - interest expense (note 22)	6	341
Transfer to new loan	(91)	-
	$ -	$ 63

During the year ended December 31, 2016, the Company obtained a second loan from Credipresto for $490 with an interest rate of 12%. This loan has the same repayment terms as the original loan.

	December 31, 2017	December 31, 2016
Balance, January 1	$ 508	$ -
Loan withdrawal	-	490
Finance costs - interest expense (note 22)	40	18
Transfer to new loan	(548)	-
	$ -	$ 508

During the year ended December 31, 2017, the Company combined the original and second loans into a new facility. The new facility has the following terms:

- The maturity of the Facility and the repayment schedule of outstanding principal thereunder shall be extended by one (1) year from the original facility, such that the new maturity date shall be September 18, 2019, with repayment instalments due quarterly starting December 18, 2018.
- The interest rate applicable to all principal owing under the Facility shall be set at 15%.
- Upon closing, $500,000 was drawn on the Facility, and $1,000,000 of additional credit shall be made available to the Company under the Facility for the duration of the Facility term.
- The Company issued 3,500,000 warrants to the Credipresto, with the following substantive terms:
    - Each warrant is exercisable for the purchase of 1 common share in the capital of the Company at a price of C$0.10 per share.
    - Each warrant will expire if not exercised by July 18, 2019.

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

	December 31, 2017	December 31, 2016
Balance, January 1	$ -	$ -
Loan withdrawal	500	-
Transfer from original loans to combine into one facility	639	-
Transaction cost - warrants	(174)	-
Finance cost – standby fees (note 22)	14	-
Finance cost - accretion expense (note 22)	27	-
Finance cost - interest expense (note 22)	64	-
	$ 1,070	$ -
Amount classified as short-term	268	-
Long-term portion	$ 802	$ -

16 Promissory note

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

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

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

- Pay Oroco $300 on signing;
- Pay Oroco $20 per month, commencing October 1, 2015 (payments due before signing of the formal agreement to accrue and be paid at signing), until September 15, 2016, with the balance of the remaining principal on or before that date;
- The outstanding principal would bear 12% interest, payable monthly in arrears; and
- If the Payment Agreement is not signed by November 16, 2015, or if the Company failed to perform all of its obligations under the Payment Agreement, it would pay Oroco a CDN $100 ($76) break fee (paid);

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

The Company fully repaid the promissory note on September 21, 2016.

	December 31, 2017	December 31, 2016
Balance, beginning of period	$ -	$ 985
Repayment	-	(950)
Finance cost - interest expense (note 22)	-	79
Interest paid	-	(114)
	$ -	$ -

17 Decommissioning obligation

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.

The undiscounted amount of estimated cash flows required to settle the decommissioning and reclamation costs is estimated at $1,199 (2016 - $1,990). The key assumptions on which this estimate was based on are:

(i) Cerro Prieto's expenditure's present value is $1,199 (2016 - $924), reflecting anticipated cash flows to be incurred over approximately the next 4 years. The Company recorded accretion of $29 (2016 - $21) included in finance cost (note 22) on the statement of loss and comprehensive income (loss) for the year ended December 31, 2017.

(ii) During the year ended December 31, 2017, the Company sold the concessions and the leach pad at the previous Cerro Colorado mine. As consideration for this, the purchaser acquired the decommissioning obligation at Cerro Colorado from the Company and recorded a gain on settlement of decommissioning liability in the statement of loss and comprehensive income (loss).

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

	December 31, 2017	December 31, 2016
Balance, beginning of year	$ 1,901	$ 1,874
Addition – Change in estimate	369	-
Settlement of decommissioning liability	(950)	-
Accretion expense	29	27
	$ 1,349	$ 1,901

18 Warrant liability

	Number of warrants	Weighted average exercise price (C$)	Warrant liability (US$)
Balance, December 31, 2015	15,729,011	$ 0.22	$ 318
Warrants cancelled	(9,000,000)	0.22	-
Warrants repriced	-	-	52
Warrants exercised	(3,569,011)	0.25	(224)
Warrants cancelled	(160,000)	0.25	(13)
Change in fair value	-	-	49
Balance, December 31, 2016	3,000,000	0.10	182
Additional value allocated from loan amendment	3,500,000	0.10	149
Change in fair value	-	-	(264)
Balance, December 31, 2017	6,500,000	$ 0.10	$ 67

Expiry date	Number of warrants	Weighted Average exercise price (C$)
March 18, 2019	3,000,000	0.10
July 18, 2019	3,500,000	0.10
Balance, December 31, 2017	6,500,000	0.10

The fair value allocated to the warrants at December 31, 2017 was $67 (December 31, 2016 - $182) and is recorded as a derivative financial liability as these warrants are exercisable in Canadian dollars, differing from the Company's functional currency. The

gain recognized in the statement of loss and comprehensive income (loss) for the year ended December 31, 2017 was $264 (2016 – loss of $36).

As part of a loan restructure, the Company issued 3,500,000 warrants to Credipresto (note 15). Each warrant is exercisable for the purchase of one common share in the capital of the Company at a price of $0.10 per share with an expiry date of July 18, 2019. The fair values of warrants issued was calculated at $149 and was determined on the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 1.27% risk free interest rate, expected life of 2 years, 103% annualized volatility and 0% dividend rate.

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.

	December 31, 2017	**December 31, 2016**
Expected warrant life	1.39 years	1.05 years
Expected stock price volatility	87%	113%
Dividend payment during life of warrant	Nil	Nil
Expected forfeiture rate	Nil	Nil
Risk free interest rate	1.41%	0.35%
Weighted average strike price	$ 0.10	$ 0.10
Weighted average fair value per warrant	$ 0.01	$ 0.07
Weighted average share price	$ 0.06	$ 0.21

19 Share Capital

(i) Share Capital

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

(ii) Share based compensation

The Company has adopted a share option plan for which options to acquire up to 10% of the issued share capital, at the award date, may be granted to eligible optionees from time to time. Generally, share options granted have a maximum term of five years, and a vesting period and exercise price determined by the directors. The exercise price may not be less than the closing quoted price of the Company's common shares traded through the facilities of the exchange on which the Company's common shares are listed. As at December 31, 2017, the remaining share options available for issue under the plan were 2,388,669 (December 31, 2016 – 1,951,168).

Total share options granted during the year ended December 31, 2017 was nil (2016 – 6,340,000). Total share-based compensation expense recognized for the fair value of share options granted and vested during the year ended December 31, 2017 was $315 (2016 - $387). The fair value of the share options granted during the year ended December 31, 2016 was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	December 31, 2017	December 31, 2016
Expected option life	-	2.5 years
Expected stock price volatility	-	93%
Dividend payment during life of option	-	Nil
Expected forfeiture rate	-	Nil
Risk free interest rate	-	0.51%
Weighted average strike price	-	$ 0.27
Weighted average fair value per option	-	$ 0.13
Weighted average share price	-	$ 0.25

	December 31, 2017		December 31, 2016	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding - beginning of year	16,540,000	$ 0.17	13,135,000	$ 0.26
Granted	-	-	6,340,000	0.27
Exercised	(225,000)	0.06	(915,000)	0.12
Expired/forfeited	(190,000)	0.41	(2,020,000)	1.08
Outstanding - end of year	16,125,000	$ 0.17	16,540,000	$ 0.17

The following table discloses the number of options and vested options outstanding as at December 31, 2017:

	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)
$0.06 to $0.15	9,785,000	2.22	$ 0.10	9,785,000	2.22	$ 0.10
$0.16 to $0.29	6,340,000	3.82	0.27	4,755,000	3.82	0.27
Outstanding - end of year	16,125,000	2.85	$ 0.17	14,540,000	2.75	$ 0.15

The following table discloses the number of options and vested options outstanding as at December 31, 2016:

	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)
$0.06 to $0.70	16,540,000	3.82	$ 0.17	10,705,000	2.65	$ 0.13
Outstanding - end of year	16,540,000	3.82	$ 0.17	10,705,000	2.65	$ 0.13

20 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 year ended December 31, 2017 and 2016, are as follows:

	2017	2016
Short-term employee benefits included in salary and consulting	$ 288	$ 304
Director's fees included in professional fess	96	161
Share-based compensation	231	269
Legal fees included in professional fees	213	78
Consulting fees included in salary and consulting	108	193
	$ 936	$ 1,005

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 December 31, 2017, other receivables and prepaid expenses include $36 (December 31, 2016 - $nil) owing from an officer of the Company.

At December 31, 2017, accounts payable and accrued liabilities includes $32 (December 31, 2016 - $60) owing to a director and/or officer and/or companies controlled by the directors.

During the year ended December 31, 2017 the Company paid legal fees totalling $213 (2016 - $78) consulting fees totalling $108 (2016 - $105) 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.

21 Cost of sales

	For year ended December 31,	
	2017	2016
Mining	$ 5,420	$ 5,598
Crushing	2,521	1,834
Plant and Laboratory	2,497	3,343
Mine administration	1,419	1,273
Machine maintenance	2,296	1,856
Royalty	323	294
Change in inventory	(206)	(1,582)
Other	522	296
	$ 14,792	$ 12,912

22 Finance cost

		For year ended December 31,	
	Note	**2017**	**2016**
Accretion expense - facility	15	$ -	$ 498
Pro-rata write-off of transaction costs – facility	15	-	691
Interest expense – facility	15	46	359
Standby fees – facility	15	22	44
Accretion – amended loan	15	27	-
Standby fees – amended loan	15	14	-
Interest expense – amended loan		64	-
Accretion – decommissioning liability	17	29	27
Break fee – promissory note	16	-	76
Interest expense – promissory note		-	79
Other finance expenses		8	23
		$ 210	$ 1,797

23 Income tax

	For the year ended	
	December 31, 2017	**December 31, 2016**
Current income tax expense	$ 195	$ 190
Deferred income tax (recovery) expense	(198)	524
	$ (3)	$ 714

The tax effects of temporary differences between amounts recorded in the Company's accounts and the corresponding amounts as computed for income tax purposes give rise to deferred tax assets (liabilities) as follows:

December 31, 2017	**Canada**	**Mexico**	**Total**
Tax loss carry-forwards	$ -	$ 411	$ 411
Mineral property	-	(590)	(590)
Property, plant and equipment	-	(8)	(8)
Other	-	(139)	(139)
Deferred tax liability	$ -	$ (326)	$ (326)

December 31, 2016	Canada	Mexico	Total
Tax loss carry-forwards	$ -	$ 378	$ 378
Mineral property	-	(690)	(690)
Property, plant and equipment	-	(11)	(11)
Other	-	(201)	(201)
Deferred tax liability	$ -	$ (524)	$ (524)

At December 31, 2017, no deferred tax assets are recognized on the following temporary differences or it is not probable that sufficient future taxable profit will be available to realize such assets:

December 31, 2017	Canada	Mexico	Total
Tax loss carry-forwards	$ 6,549	$ 2,104	$ 8,653
Investment	2,001	-	2,001
Capital losses	1,147	-	1,147
Mineral property	-	1,953	1,953
Property, plant and equipment	169	-	169
Share issuance costs	161	-	161
Other	198	784	982
Unrecognized deferred tax assets	$ 10,225	$ 4,841	$ 15,066

December 31, 2016	Canada	Mexico	Total
Tax loss carry-forwards	$ 5,090	$ 2,260	$ 7,350
Investment	1,850	-	1,850
Capital losses	648	-	648
Mineral property	-	1,852	1,852
Property, plant and equipment	145	203	348
Share issuance costs	248	-	248
Other	185	569	754
Unrecognized deferred tax assets	$ 8,166	$ 4,884	$ 13,050

The Company has non-capital losses of approximately $24,300 (2016 - $19,600) to reduce future income tax payable in Canada which expire between the years 2025 and 2037.

In Mexico, the Company has losses of approximately $10,000 (2016 - $8,800) to reduce income tax in Mexico which expire between 2021 and 2026.

The provision for income tax differs from the amount calculated using Canadian federal and provincial statutory income tax rate of 26% (2016 – 26%) as follows:

	Year ended December 31,	
	2017	**2016**
Expected income tax recovery	$ 15	$ (111)
Non-deductible items	(617)	286
Tax rate differences	(1,021)	3
Foreign exchange	(178)	1,370
Royalty deduction	303	-
Other	(520)	2,389
Deferred tax assets not recognized	2,015	(3,223)
Income tax expense	$ (3)	$ 714

24 Segmented disclosure

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

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

	As at December 31, 2017				As at December 31, 2016			
	Canada	**Mexico**	**Ecuador**	**Total**	**Canada**	**Mexico**	**Ecuador**	**Total**
Assets								
Cash and cash equivalents	$ 722	$ 651	$ 3	**$ 1,376**	$ 503	$ 392	$ 2	**$ 897**
Investments	159	-	-	**159**	110	-	-	**110**
Other receivables and prepaid expenses	49	1,877	97	**2,023**	136	3,179	57	**3,372**
Inventory	-	3,063	-	**3,063**	-	2,409	-	**2,409**
Property, plant and equipment	-	2,979	-	**2,979**	-	1,831	-	**1,831**
Exploration and evaluation properties	-	320	1,990	**2,310**	-	-	1,409	**1,409**
Mineral property	-	4,509	-	**4,509**	-	5,577	-	**5,577**
Liabilities								
Accounts payable and accrued liabilities	(504)	(4,016)	(100)	**(4,620)**	(371)	(3,177)	(76)	**(3,624)**
Tax payable	-	(302)	-	**(302)**	-	(605)	-	**(605)**
Loan payable	(1,070)	-	-	**(1,070)**	(571)	-	-	**(571)**
Warrant liability	(67)	-	-	**(67)**	(182)	-	-	**(182)**
Deferred tax liability	-	(326)	-	**(326)**	-	(524)	-	**(524)**
Decommissioning obligation	-	(1,349)	-	**(1,349)**	-	(1,901)	-	**(1,901)**

Selected financial information by operating segments is as follows:

	As at December 31, 2017			As at December 31, 2016		
	Exploration & Development	**Corporate**	**Total**	**Exploration & Development**	**Corporate**	**Total**
Assets						
Cash and cash equivalents	$ 654	$ 722	**$ 1,376**	$ 394	$ 503	**$ 897**
Investments	-	159	**159**	-	110	**110**
Other receivables and prepaid expenses	1,974	49	**2,023**	3,236	136	**3,372**
Inventory	3,063	-	**3,063**	2,409	-	**2,409**
Property, plant and equipment	2,979	-	**2,979**	1,831	-	**1,831**
Exploration and evaluation properties	2,310	-	**2,310**	1,409	-	**1,409**
Mineral property	4,509	-	**4,509**	5,577	-	**5,577**
Total assets	$ 15,489	$ 930	**$ 16,419**	$ 14,856	$ 749	**$ 15,605**

	For year ended December 31,	
	2017	**2016**
Revenue		
Mining operations	$ 18,750	$ 15,595
Income (loss) for the year		
Mining Operations	1,973	(647)
Exploration and evaluation	(10)	(10)
Corporate	(1,900)	(491)
	$ 63	$ (1,148)

25 Commitments

a. During the year ended December 31, 2016, the Company entered into a new office lease agreement whereby the Company has a minimum lease payment of $73 per year for the period June 1, 2017 to July 31, 2021.

b. 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, 2016 - $3,305). Subsequent to the sale of

Caballo Blanco to Timmins Gold in fiscal 2014, the terms of these contingent shares remained unchanged. Pursuant to a plan of arrangement the right to receive shares has been transferred to Almadex Minerals Limited.

c. 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 December 31, 2017 due to the level of uncertainty surrounding the conditions required for the payments.

26 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 December 31, 2017, 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.

27 Supplemental cash flow information

Supplemental cash flow information	Notes	2017	2016
Depreciation capitalized to development property	10	$ -	$ 41
Depreciation and depletion included in inventory		(110)	(159)
Mineral property expenditures accrued		-	1,391
Exploration expenditures accrued		100	76
Shares issuance – repayment of promissory note	16	-	145
Reclassification of taxes payable to accrued liabilities		585	-
Other comprehensive income related to investment revaluation	8	117	-
Shares issuance – transaction costs on facility extension	15	-	442
Shares issuance – repayment of IVA payable	16	-	55
Warrants issued for loan payable	15	-	53
Development property reclassified to mineral property	13	-	6,765
Development property reclassified to inventory		-	1,911

Transfer of transaction costs to warrant liability	18	149	-
Stock options exercised – reversal to reserves	15	6	-
Decommissioning obligation – change in estimate	17	369	-
Loan drawdown (transaction costs)		-	108
Reclassification of warrant liability on exercise		-	912
Accretion expense capitalized		-	6