



## **Goldgroup Mining Inc.**

Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Goldgroup Mining Inc.

### *Opinion*

We have audited the accompanying consolidated financial statements of Goldgroup Mining Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has experienced recurring operating losses and has an accumulated deficit of \$156,137,000 at December 31, 2023 and as at that date, the Company has a working capital deficiency of \$8,407,000. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

### *Assessment of valuation of work in progress inventories*

As described in Note 7 to the consolidated financial statements, the carrying amount of the Company's work in progress inventories, consisting of stockpiled ore, was \$2,367,000 as at December 31, 2023. As more fully described in Notes 3 and 4 to the consolidated financial statements, estimates in the carrying values of inventories arise due to the nature of the valuation of work in progress inventories based on an appropriate allocation of expenditures incurred, and depreciation and depletion relating to mining operations incurred. Changes in these estimates can result in a change in mine operating costs of future periods and carrying amounts of inventories.



We identified the valuation of work in progress inventories to be a key audit matter due to risk of error due to the sensitivity of management's key valuation assumptions within their model that estimate net realizable value for ore stockpiles. The key valuation assumptions we focused on were the costing of ore stockpiles on hand, reviewing estimated amount of ore, the grade of the ore, and the expected recovery of ore into gold. The valuation of work in progress inventories is sensitive to small changes in these assumptions.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures include, among others:

- Evaluating management's estimation of volume and grade of work in progress inventories, including obtaining an understanding of the qualification of management's specialists, and review of production and sales reports, and corroborating the quantity of total stockpiled ore.
- Testing that the inventory has been valued at the lower of cost or net realizable value which included assessment of remaining costs to convert and year-end metal prices.
- Reviewing, and sensitivity-testing, estimated recovery rates and comparing to historical results.

### ***Other Information***

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

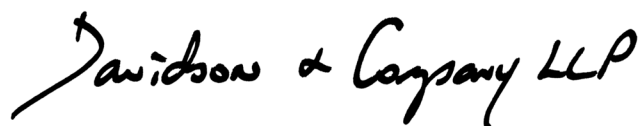
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Stephen Hawkshaw.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

April 2, 2024

# Goldgroup Mining Inc.

## Consolidated Statements of Financial Position

For the years ended December 31, 2023 and 2022

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

	Note	December 31, 2023	December 31, 2022
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 292	\$ 459
Other receivables and prepaid expenses	5	1,822	1,800
Inventory	7	3,004	765
		5,118	3,024
Receivables	5	1,674	1,446
Property, plant and equipment	9	1,883	2,482
Right of use asset	15	85	147
Mineral property	11	240	788
Exploration and evaluation assets	12	419	7,518
Total assets		\$ 9,419	\$ 15,405
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 13,469	\$ 11,521
Current lease liability	15	56	74
Decommissioning obligations	14	-	313
Warrant liability	16	-	21
Loans payable	13	-	3,894
		13,525	15,823
Warrant liability	16	11	88
Loan payable	13	100	-
Lease liability	15	26	78
Decommissioning obligations	14	2,126	1,982
Total liabilities		15,788	17,971
<b>Shareholders' deficiency</b>			
Share capital	17	137,944	134,651
Contingent share consideration	23	3,305	3,305
Subscription proceeds received in advance	17	-	425
Reserves		8,519	8,444
Deficit		(156,137)	(149,391)
Total shareholders' deficiency		(6,369)	(2,566)
Total liabilities and shareholders' deficiency		\$ 9,419	\$ 15,405

*Nature of operations and going concern (note 1)*

*Commitments (note 23)*

### Approved by the Board of Directors

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"Javier Reyes" Director                      "Corry Silbernagel" Director

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

# Goldgroup Mining Inc.

## Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2023 and 2022

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

	Note	2023	2022
<b>Revenue</b>			
Gold sales		\$ 9,693	\$ 525
Silver sales		100	27
		9,793	552
<b>Cost of operations</b>			
Cost of sales	19	(7,813)	(974)
Depreciation and depletion	9,11	(540)	(54)
		1,440	(476)
Depreciation	15	(66)	(61)
Share-based compensation	17,18	(75)	(173)
General and administrative		(1,096)	(1,124)
Salary and consulting	18	(668)	(537)
Professional fees	18	(1,514)	(1,404)
Gain on settlement of debt	11	6	-
Impairment of exploration and evaluation assets	12	(4,955)	-
Gain on disposal of investment	8	-	2
Gain on settlement of accounts payable		62	-
Finance cost	20	(273)	(260)
Reversal of decommissioning obligations	14	313	-
Unrealized derivative gain – warrant liability	16	98	514
Foreign exchange loss		(183)	(44)
Other income		272	510
<b>Loss before income taxes</b>		(6,639)	(3,053)
Income taxes expense – current	21	(107)	-
<b>Loss for the year</b>		(6,746)	(3,053)
<b>Loss per share – basic &amp; diluted</b>		\$ (0.15)	\$ (0.14)
<b>Weighted average shares outstanding (000's) – basic &amp; diluted</b>		45,920	22,160

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

# Goldgroup Mining Inc.

## Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

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

	Notes	2023	2022
<b>Cash provided by (used in) operating activities</b>			
Loss for the year		\$ (6,746)	\$ (3,053)
Items not affecting cash:			
Depreciation	9,15	254	81
Depletion	11	352	38
Share-based compensation	17	75	173
Unrealized foreign exchange loss		(42)	-
Finance cost – interest expense (Accendo loan)	13	153	197
Finance cost – amortization of transaction costs	13	16	14
Decommissioning obligations - accretion	14	87	20
Unrealized derivative gain – warrant liability	16	(98)	(514)
Interest on lease liability	15	17	24
Gain on disposal of investments	8	-	(2)
Gain on settlement of accounts payable		(62)	-
Impairment of exploration and evaluation property	12	4,955	-
Gain on settlement of debt		(6)	-
Reversal of decommissioning obligation	14	(313)	-
Impairment of inventory	7	253	-
Change in non-cash operating working capital:			
(Increase) decrease in other receivables and prepaid expenses		(251)	201
Increase in inventory		(2,344)	(3)
Decrease in tax payable		-	(3)
Increase (decrease) in accounts payable and accrued liabilities		1,772	(3,755)
		(1,928)	(6,582)
<b>Cash flows provided by (used in) financing activities</b>			
Lease payments	15	(91)	(83)
Share issuance costs	17	(27)	-
Subscription proceeds received in advance	17	-	425
Proceeds received on private placement	17	-	468
Loan issuance costs	13	-	(48)
Proceeds from loan	13	100	2,160
		(18)	2,922
<b>Cash flows provided by (used in) investing activities</b>			
Purchase of property, plant and equipment	9	(109)	(1,506)
Proceeds from sale of investments	8	-	694
Recovery from exploration property sales	12	15,531	20,812
Exploration and evaluation assets	12	(13,643)	(16,829)
		1,779	3,171
<b>Decrease in cash</b>		(167)	(489)
<b>Cash – beginning of year</b>		459	948
<b>Cash – end of year</b>		\$ 292	\$ 459

Supplemental cash flow information (note 25)

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

# Goldgroup Mining Inc.

## Consolidated Statements of Changes in Shareholders' Deficiency

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

	Notes	Shares (‘000)	Share capital	Contingent shares (Note 23)	Share based compensation reserves	Equity portion of convertible debt	Foreign currency translation reserves	Subscription proceeds received in advance	Deficit	Total equity
<b>January 1, 2023</b>		22,924	\$ 134,651	\$ 3,305	\$ 8,752	\$ -	\$ (308)	\$ 425	\$ (149,391)	\$ (2,566)
Loss for the year		-	-	-	-	-	-	-	(6,746)	(6,746)
Private placement	17	5,700	425	-	-	-	-	(425)	-	-
Share issuance costs	17	-	(27)	-	-	-	-	-	-	(27)
Share-based compensation	17	-	-	-	75	-	-	-	-	75
Issuance of convertible debt	13	-	-	-	-	63	-	-	-	63
Conversion of convertible debt	13	29,052	2,160	-	-	(63)	-	-	-	2,097
Acquisition of MER	17	25,068	735	-	-	-	-	-	-	735
<b>Balance at December 31, 2023</b>		82,744	\$ 137,944	\$ 3,305	\$ 8,827	\$ -	\$ (308)	\$ -	\$ (156,137)	\$ (6,369)
<b>January 1, 2022</b>		21,180	\$ 134,551	\$ 3,305	\$ 8,579	\$ -	\$ (308)	\$ -	\$ (146,338)	\$ (211)
Loss for the year		-	-	-	-	-	-	-	(3,053)	(3,053)
Subscription proceeds received in advance	17	-	-	-	-	-	-	425	-	425
Share-based compensation	17	-	-	-	173	-	-	-	-	173
Private placement	17	1,744	100	-	-	-	-	-	-	100
<b>Balance at December 31, 2022</b>		22,924	\$ 134,651	\$ 3,305	\$ 8,752	\$ -	\$ (308)	\$ 425	\$ (149,391)	\$ (2,566)

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



# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

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### 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. 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. As at December 31, 2023, the Company is listed on the Toronto Stock Exchange ("TSX") under the symbol "GGA". The Company transitioned to the Toronto Venture Exchange ("TSX-V") subsequent to year end on February 20, 2024 under the same "GGA" trading symbol.

#### *Going Concern*

The Company has experienced recurring operating losses and has an accumulated deficit of \$156,137 at December 31, 2023. In addition, as at December 31, 2023, the Company has working capital deficiency of \$8,407. Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. The continuing operations of the Company are dependent upon its ability to arrange additional financing and resolving the legal disputes with DynaResource, Inc. ("DynaUSA") (note 10). These matters result in material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the classifications used in the statement of financial position.

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

### 2 Basis of presentation

These consolidated financial statements have been prepared in accordance with IFRS Accounting 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 April 2, 2024.

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

### 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.

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022  
(amounts expressed in thousands of US dollars, except where indicated)

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### ***Significant judgments in applying accounting policies***

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

#### **(i) Impairment of assets**

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

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

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

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

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

### ***Key sources of estimation uncertainty***

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

#### **(i) Mineral resource estimation**

The carrying value and recoverability of mineral properties requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project. The determination of mineral resources also requires the use of estimates. The Company estimates its mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101, Standards for Disclosure of Mineral Projects. There are numerous uncertainties inherent in estimating mineral resources and assumptions that are valid at the time of estimation which 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**

Plant and other facilities used directly in mining activities are depreciated using the unit-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.

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022  
(amounts expressed in thousands of US dollars, except where indicated)

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

### (iii) Decommissioning and restoration provision

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

### (iv) Contingencies

Due to the size, complexity and nature of the Company's operations, various legal and tax matters are outstanding from time to time. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of the changes in its consolidated financial statements on the date such changes occur.

### (v) Deferred taxes

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

### (vi) Acquisition of Minera Cerro Esperanza S.A. de C.V. ("MER")

During the year ended December 31, 2023, the Company acquired 100% of the outstanding shares of MER which owned the Cerro Prieto mining concessions post Accendo debt settlement. Management determined that the purchase represented an acquisition of assets rather than a business combination. The allocation of purchase consideration to each component is based on the relative fair value of the assets acquired. The Company determined that two assets were acquired: the Cerro Prieto and Esperanza mining concession.

### (vii) Valuation of inventory:

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.

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

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, 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

## 4 Material accounting policy information

### 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, 2023	As at December 31, 2022
<b>Subsidiaries</b>				
Granmin Malaysia Ltd. (“Granmin Malaysia”)	-	Malaysia	100%	100%
Granmin SA de CV (“Granmin Mexico”)	-	Mexico	100%	100%
Minera Calipuy SA de CV (“Calipuy”) <sup>(1)</sup>	-	Mexico	100%	100%
Goldgroup Resources Inc. (“Holdings”)	-	Canada	100%	100%
0919921 B.C. Ltd. <sup>(1)</sup>	-	Mexico	100%	100%
0788598 B.C. Ltd. <sup>(1)</sup>	-	Canada	100%	100%
0788601 B.C. Ltd. <sup>(1)</sup>	-	Canada	100%	100%
0961152 B.C. Ltd. <sup>(1)</sup>	-	Canada	100%	100%
1068659 B.C. Ltd. <sup>(1)</sup>	-	Canada	100%	100%
Minera Polimetalicos Mexicanos S.A. <sup>(1)</sup>	-	Panama	100%	100%
Minas de Oroco Resources SA de CV	-	Mexico	100%	100%
Minera Cerro Esperanza SA de CV	Cerro Prieto	Mexico	100%	100%
Minera Cardel SA de CV (“Minera Cardel”)	-	Mexico	100%	100%
Starmin S.A. de C.V. <sup>(1)</sup>	-	Mexico	100%	100%
Veminser S.A. de C.V. <sup>(1)</sup>	-	Mexico	100%	100%
DynaResource de Mexico SA de CV (“DynaMexico”)	San José de Gracia	Mexico	*	*

<sup>(1)</sup> Inactive for the periods presented.

\*The ownership of DynaMexico is in dispute. See (note 10).

All intercompany transactions and balances have been eliminated on consolidation.

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

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### 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 gains and losses are included in profit or loss.

### Revenue recognition

Sales of ore are recognized and revenue is recorded at market prices following the transfer of control to the customer, provided that the Company has a present right to payment, has transferred physical possession of the asset to the customer, and the customer has the significant risks and rewards of ownership. The Company satisfies its performance obligations upon delivery of the ore to the customer.

### 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 and mining equipment 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.

# Goldgroup Mining Inc.

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

	Years
Plant and mining equipment	3-4
Machinery	3-5
Office and furniture	3-5
Vehicles	3-4
Lab equipment	3-5

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 costs. 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. 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.

# Goldgroup Mining Inc.

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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.

The cost of decommissioning and restoration related to the Batamote property were expensed over the estimated option term through profit and loss as cost of operations as depletion in the period in which the obligation first arose.

### 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.

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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 be 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.



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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.

# Goldgroup Mining Inc.

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### 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*

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash and receivables are measured at amortized cost with subsequent impairments recognized in profit or loss. Investments are classified as FVTPL.

#### Impairment

An 'expected credit loss' impairment model applies to financial assets recorded at amortized cost which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

#### (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, lease 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.

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

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### *(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.

### **Leases**

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

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

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

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

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

# Goldgroup Mining Inc.

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

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

### **New accounting standards and interpretations adopted during the current period**

#### **IAS 1 Presentation of Financial Statements**

As at January 1, 2023, the Company adopted amendments made to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements in which guidance and examples are provided to help entities apply materiality judgments to accounting policy disclosures. The adoption of this amendment did not have a material impact on the audited consolidated financial statements.

#### **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**

As at January 1, 2023, the Company adopted amendments made to International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") which introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify how entities use measurement techniques and inputs to develop accounting estimates. The adoption of this amendment did not have a material impact on the audited consolidated financial statements.

#### **IAS 12 Income taxes**

As at January 1, 2023, the Company adopted amendments made to International Accounting Standard 12 Income Taxes ("IAS 12"). IAS 12 was amended so that it no longer applies to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments apply to annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The adoption of this amendment did not have a material impact on the audited consolidated financial statements.

### **New accounting standards and interpretations issued but not yet effective**

As at January 1, 2024, the Company adopted amendments made to International Accounting Standard 1 Presentation of Financial Statements ("IAS 1"). IAS 1 provides a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date and does not impact the amount or timing of recognition. The adoption of this amendment is not expected to have a material impact on the audited consolidated financial statements.

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

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### 5 Other receivables and prepaid expenses

	December 31, 2023	December 31, 2022
<b>Current asset</b>		
<b>Financial assets</b>		
Other receivables	\$ 153	\$ 143
Employee receivables	61	24
<b>Non-Financial assets</b>		
Value-added tax receivables	1,286	1,318
Corporate tax receivables	38	22
<b>Total receivables</b>	1,538	1,507
<b>Prepaid expenses</b>	284	293
	\$ 1,822	\$ 1,800
<b>Non-current assets</b>		
<b>Non-Financial assets</b>		
Value-added tax receivables	\$ -	\$ -
Other receivables	1,674	1,446
Corporate tax receivables	-	-
	\$ 1,674	\$ 1,446

### 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, 2023	December 31, 2022
<b>Financial assets</b>			
<i>Amortized cost</i>			
Cash <sup>(1)</sup>	N/A	\$ 292	\$ 459
Receivables <sup>(1)</sup>	N/A	214	167
<b>Financial liabilities</b>			
<i>Other financial liabilities</i>			
Accounts payable & accrued liabilities <sup>(1)</sup>	N/A	13,469	11,521
Loans payable <sup>(3)</sup>	N/A	100	3,894
Lease liability	N/A	82	152
Warrant liability <sup>(2)</sup>	Level 3	11	109

# Goldgroup Mining Inc.

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- (1) The carrying value of cash, receivables and 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 16.
- (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. The majority of the Company's cash 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 24. The accounts payable and accrued liabilities, lease liability, loan payable and income taxes payable are due within the current operating period. The Company is exposed to liquidity risk.

### **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 or fixed income securities. The risk that the Company will realize a loss as a result of a decline in the fair value of these assets is limited as they are generally held to maturity.

### **Foreign exchange risk**

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

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

The Company's financial assets and liabilities as at December 31, 2023 are denominated in United States Dollars, Canadian Dollars, and Mexican Pesos, and are set out in the following table:

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

	Canadian Dollars	US Dollars	Mexican Pesos	Total
<b>Financial assets</b>				
Cash	\$ 82	\$ 198	\$ 12	\$ 292
Receivables - other	-	214	-	214
	82	412	12	506
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	(313)	(8,698)	(4,458)	(13,469)
Loans payable	-	(100)	-	(100)
Lease liability	(82)	-	-	(82)
Warrant liability	(11)	-	-	(11)
Net financial (liabilities) assets	\$ (324)	\$ (8,386)	\$ (4,446)	\$ (13,156)

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

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

The Company's reported results will be affected by changes in the US dollar to Canadian dollar and US dollar to Mexican Pesos exchange rate. As of December 31, 2023, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial assets by approximately \$32 (December 31, 2022 - \$58). A 10% depreciation of the US Dollar relative to the Canadian dollar would have had the equal but opposite effect. A 10% appreciation of the Mexican Pesos relative to the US dollar would have decreased net financial asset by approximately \$445 (December 31, 2022 -\$359) and a 10% depreciation of the Mexican Pesos would have had an equal but opposite effect. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risk.

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

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

December 31, 2023	Current – within 1 year	Non- current – 1 to 3 years
Accounts payable and accrued liabilities	\$ 13,469	\$ -
Lease liability	56	26
Loans payable	-	100
	13,525	126

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

## 7 Inventory

	December 31, 2023	December 31, 2022
Consumable supplies	\$ 637	\$ 765
Work in progress	2,367	-
	\$ 3,004	\$ 765

Cost of sales represents the amount of product inventory recognized as an expense. All of the Company's inventory on hand are located at the Cerro Prieto mine in Mexico. During the year ended December 31, 2023 \$254 (2022 - \$nil) impairment was recorded in inventory

## 8 Investments

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

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

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



# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

### 9 Property, plant and equipment

	Cost December 31, 2021	Additions	Disposals	December 31, 2022	Additions	Disposals	December 31, 2023
Plant and mining equipment	\$ 11,303	\$ 1,373	\$ -	\$ 12,676	\$ 108	\$ -	\$ 12,784
Machinery	2,732	133	-	2,865	-	-	2,865
Office and furniture	263	-	-	263	1	-	264
Vehicles	936	-	-	936	-	-	936
Lab equipment	97	-	-	97	-	-	97
	\$ 15,331	\$ 1,506	\$ -	\$ 16,837	\$ 109	\$ -	\$ 16,946

	Accumulated Depreciation December 31, 2021	Depreciation	Disposals	December 31, 2022	Depreciation	Disposals	December 31, 2023
Plant and mining Equipment	\$ 10,222	\$ 264	\$ -	\$ 10,486	\$ 593	\$ -	\$ 11,079
Machinery	2,617	83	-	2,700	61	-	2,761
Office and furniture	258	4	-	262	2	-	264
Vehicles	769	52	-	821	47	-	868
Lab equipment	80	6	-	86	5	-	91
	\$ 13,946	\$ 409	\$ -	\$ 14,355	\$ 708	\$ -	\$ 15,063

Depreciation on property, plant and equipment for the year ended December 31, 2023 is \$708 (2022 - \$409) of which \$188 (2022 - \$20) is recorded as a cost of the mine, \$371 (2022 - \$389) was recorded in exploration and evaluation assets, \$149 (2022 - \$nil) is included in inventory.

Carrying amount	December 31, 2023	December 31, 2022
Plant and mining equipment	\$ 1,705	\$ 2,190
Machinery	104	165
Office and furniture	-	1
Vehicles	68	115
Lab equipment	6	11
	\$ 1,883	\$ 2,482

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

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### 10 Investments in associate - DynaMexico

On September 1, 2006, the Company entered into an Earn in/Option Agreement (“the Agreement”) with DynaResource de Mexico S.A. de C.V. (“DynaMexico”) and its parent company, DynaResource, Inc. (“DynaUSA”). Under the Agreement, the Company had the right to earn up to a 50% equity interest in DynaMexico by funding up to \$18 million in exploration and development expenditures on the San Jose de Gracia property (“SJG”). On March 14, 2011, the Company completed its Earn in/Option Agreement with DynaMexico for its 50% equity interest by reaching the expenditure funding requirement of \$18 million. Subsequent to this date there have been legal claims filed in Mexico and the United States which resulted in the foreclosure of the Company’s share ownership.

On October 13, 2015, the Company was made aware of a news release disseminated by DynaMexico which claimed DynaMexico was awarded a \$48 million judgement against the Company’s subsidiary Goldgroup Resources Inc. The Company’s position in response to the \$48 million claim is that the Company was never notified of the purported court case, and does not recognize any of the claims mentioned therein and is of the belief that such claims are entirely without merit. The Company pursued the case to the Mexican Supreme Court level to get the judgment overturned.

On December 6, 2019, the 11th Federal Circuit Collegiate Court in México denied Goldgroup’s amparo regarding the \$48 million claim and on February 20, 2020 a Mexico City court issued a judgment in favour of DynaMexico.

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

On March 6, 2023, the Company announced that it has filed a Request for Arbitration with the International Centre for Settlement of Investment Disputes (“ICSID”) against the United Mexican States. The treatment and inaction by the Mexican courts have resulted in a judicial expropriation of its subsidiary’s investment in DynaMexico and a denial of justice in breach of Mexico’s obligations under the North American Trade Agreement (“NAFTA”). On February 7, 2024, the Company filed its Memorial related to the NAFTA claim and is awaiting the response from the Mexican government. The Company is seeking damages as a result of Mexico’s breaches of NAFTA.

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

### 11 Mineral property

Carrying amount	Cerro Prieto
Balance, December 31, 2021	\$ 1,008
Depletion	(38)
Change in decommissioning obligation	(182)
Balance, December 31, 2022	788
Depletion	(252)
Disposition	(536)
Balance, October 6, 2023	-
Acquisition	316
Depletion	(100)
Change in decommissioning obligation (note 14)	24
Balance, December 31, 2023	\$ 240

Cerro Prieto commenced commercial production on April 1, 2016. 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. In August 2022, the 90,000 ounce cap was achieved and the royalty has maxed out and no longer to be accrued.

On July 1, 2023, the Company entered into a settlement agreement ("Settlement Agreement") with Minera Cerro Esperanza S.A de C.V. ("MER") who acquired the Company's loan with Accendo Banco S.A., Multiple Banking Institution ("Accendo") (note 13). As part of the Settlement Agreement, the Company transferred all of the Minas de Oroco concessions to MER in satisfaction of the Accendo loan and entered into an Exploitation and Option to Purchase Agreement with MER, which provided the Company with the right to continue to operate the Minas de Oroco mine in exchange for a 2% NSR and provided that the Company will have the option to repurchase the assets for a payment of \$1,838 in cash or common shares of the Company an initial term of thirty (30) years and shall automatically renew for additional thirty (30) year periods not to exceed 99 years.

On October 6, 2023, the Company transferred the Cerro Prieto concessions and settled the outstanding Accendo facility.

#### Summary of Accendo settlement

Accendo settlement	December 31, 2023
Mineral property transfer	\$ (536)
Exploration and evaluation asset transfer (note 12)	(1,296)
Extinguishment of Accendo loan (note 13)	1,838
Gain on settlement of debt	\$ 6

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

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### Summary of purchase consideration

Then on October 17, 2023, the Company exercised its option to purchase all of the issued and outstanding common shares of MER and elected to settle the full option price of \$1,838 in common shares of the Company and issued 25,067,500 common shares. Management determined that the purchase represented an acquisition of assets rather than a business combination and has accounted for the transaction under IFRS 2. The allocation of the purchase consideration to each component is based on the relative fair value of the assets acquired. The Company determined that two assets were acquired: the Cerro Prieto and Esperanza mining concession.

	December 31, 2023
Common shares – 25,067,500 at CAD \$0.04	\$ 735
<b>Attributable to concessions</b>	<b>\$ 735</b>

The net assets acquired were:

	December 31, 2023
Mineral property	\$ 316
Exploration and evaluation asset (note 12)	419
<b>Attributable to concessions</b>	<b>\$ 735</b>

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

### 12 Exploration and evaluation assets

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

<b>Puma extension</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Opening	\$ 7,518	\$ 2,465
Mining	9,273	16,703
Crushing	1,874	4,353
Plant and laboratory	851	1,327
Mine administration	930	158
Machine maintenance	109	1,440
Royalty	217	834
Exploration and other	606	753
Depreciation (Note 9)	371	389
Impairment	(4,955)	-
Increase (decrease) in decommissioning obligation (note 14)	33	(92)
Gold and silver sales (pre-production)	(15,531)	(20,812)
Disposition (note 11)	(1,296)	-
	\$ -	\$ 7,518

During the year ended December 31, 2023, the Company recorded an impairment of \$4,955 (2022 - \$nil) on the exploration and evaluation asset which represents the settlement value. As part of the agreement, the Company would still be responsible for the asset retirement obligation and original NSR related to the concessions.

As part of the purchase price allocation (note 11) the Company identified a new resource area called the Esperanza extension.

<b>Esperanza extension</b>	<b>December 31, 2023</b>
Opening	\$ -
Acquisition	419
Ending balance	\$ 419

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

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### 13 Loans and advances payable

During the year ended December 31, 2020, the Company closed a facility with Accendo in the amount of \$3,000 (the "Facility"). Javier Reyes, a director of the Company, was the CEO and Chairman of Accendo at that time, although he is currently no longer associated with Accendo.

#### The Facility Terms

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

As consideration for the Facility:

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

The Facility was secured by:

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

During the year ended December 31, 2021, the Company was made aware that the Mexican National Banking and Securities Commission notified Accendo of the revocation of its authorization to organize and operate as a multiple banking institution due to Accendo falling below the regulatory minimum levels of liquidity coverage ratio of the institution and that Accendo was being placed in liquidation. The Accendo Facility was acquired by MER from the bankruptcy proceedings and the Company settled the amount outstanding during the year ended December 31, 2023 (note 11).

#### Calu Loan

On August 11, 2022, the Company entered into a loan agreement (the "Loan Agreement") with Sail Natural Resources LP (the "Lender") in the principal amount of \$550 (the "Loan"). The Loan bears interest at 5% per annum, will be repaid in 11 equal monthly installments of \$50 commencing on October 10, 2022, maturing on August 10, 2023.

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

The convertible debt instrument is a compound instrument which is required to be bifurcated to record the fair value of the separate debt and equity components. The fair value of the debt was determined using a discounted cash flow model based on an estimated discount rate for equivalent debt of 12%. The initial fair value of the debt was calculated to be \$2,162 with the residual portion of \$63 allocated to the equity component. During the year ended December 31, 2023, total convertible debt held was converted into 29,052,000 shares.

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

<b>Loan payable</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Opening balance	\$ 3,894	\$ 1,571
Interest expense (note 20)	153	197
Loan advances	-	2,160
Transaction costs	-	(48)
Amortization of transaction costs (note 20)	16	14
Transfer to convertible debt	(2,225)	-
MER debt settlement (note 11)	(1,838)	-
<b>Total</b>	<b>\$ -</b>	<b>\$ 3,894</b>
Classified as short-term	\$ -	\$ 3,894

Accendo facility was settled for the transfer of the Company's Cerro Prieto concession (note 11).

<b>Convertible debenture</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Opening balance	\$ -	\$ -
Addition	2,225	-
Equity portion	(63)	-
Conversion to equity (note 17)	(2,162)	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>
Classified as short-term	\$ -	\$ -

During the year ended December 31, 2023, the Company received an advance of \$100, which bears interest at 12% per annum and will be repayable on June 15, 2025. Subsequent to December 31, 2023, the Company received approval to have the advance convertible into units of the Company at CAD \$0.10 per unit at a fixed FX rate of 0.76 USD to CAD at the election of the holder. Each unit will be comprised of one common share of the Company and one-half purchase warrant, with each full purchase warrant exercisable for one common share of the Company at an exercise price of CAD \$0.20 per warrant expiring June 15, 2025.

<b>Advances</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Opening balance	\$ -	\$ -
Advances	100	-
Equity portion	-	-
Conversion to equity	-	-
<b>Total</b>	<b>\$ 100</b>	<b>\$ -</b>
Classified as short-term	\$ -	\$ -

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

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### 14 Decommissioning obligations

The Company's estimates of future decommissioning and restoration for reclamation and closure costs for its mine and exploration and evaluation assets 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 \$2,283 (2022 - \$2,069). The key assumptions on which this estimate was based on are:

i) Cerro Prieto's expenditure's present value is \$1,400 (2022 - \$1,317), reflecting anticipated cash flows to be incurred over approximately the next year. The Company recorded accretion of \$87 (2022 - \$20) included in finance cost (note 20) on the statement of loss and comprehensive loss for the year ended December 31, 2023. As at December 31, 2023 the discounted cash flows are calculated using an inflation rate of 3.82% (2022 - 7.69%) and a risk-free rate of 11.18% (2022 - 12.09%).

ii) The Company's exploration and evaluation asset the Puma extension expenditure's present value is \$727 (2022 - \$665), reflecting anticipated cash flows to be incurred over approximately the next year. As at December 31, 2023 the discounted cash flows are calculated using an inflation rate of 3.82% (2022 - 7.69%) and a risk-free rate of 11.18% (2022 - 12.09%).

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

	December 31, 2023	December 31, 2022
Balance, beginning of year	\$ 1,982	\$ 2,236
Addition – Change in estimate (Note 11 and 12)	57	(274)
Accretion expense	87	20
	\$ 2,126	\$ 1,982

During the year ended December 31, 2023, the Company reversed the decommissioning and restoration provision for Batamote as it was determined that the Company no longer had the restoration obligation. As at December 31, 2023 the Batamote decommissioning and restoration provision is \$nil (2022 - \$313) and \$313 (2022 - \$nil) was charged to profit and loss.



# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

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### 15 Right of use asset and lease liability

<b>Right of use assets</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Opening balance	\$ 147	\$ 165
Recognition of right of use asset	42	43
Derecognition of right of use asset	(38)	-
Less: depreciation	(66)	(61)
<b>Total right of use assets</b>	<b>\$ 85</b>	<b>\$ 147</b>

<b>Lease liabilities</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Opening balance	\$ 152	\$ 168
Recognition of lease liability	42	43
Derecognition of lease liability	(38)	-
Lease payments	(91)	(83)
Lease interest	17	24
	82	152
Less: current portion	(56)	(74)
<b>Classified as long-term liabilities</b>	<b>\$ 26</b>	<b>\$ 78</b>

<b>Undiscounted lease payments</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Not later than a year	\$ 63	\$ 92
Later than a year	31	87
	\$ 94	\$ 179

The Company's lease relates to an office lease. Interest expense on the lease liabilities for the year ended December 31, 2023 is \$17 (2022 - \$24). Depreciation of right-to-use assets is calculated using the straight-line method over the remaining lease term. Depreciation of equipment leases is recorded in cost of sales. During the year ended December 31, 2023, the Company incurred \$9,567 (2022 - \$11,542) for leases with variable lease payments not included in lease liabilities. The variable lease payments relate to certain equipment with consideration based on usage. During the year ended December 31, 2023, the Company received \$54 (2022 - \$66) from subleasing office space.

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

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### 16 Warrant liability

	Number of warrants	Weighted average exercise price (C\$)	Warrant liability (US\$)
Balance, December 31, 2021	2,083,333	\$ 0.47	\$ 255
Warrants granted	1,744,286	0.50	368
Warrants expired	(1,333,333)	0.60	-
Change in fair value	-	-	(514)
Balance, December 31, 2022	2,494,286	\$ 0.42	\$ 109
Warrants expired	(750,000)	0.25	-
Change in fair value	-	-	(98)
Balance, December 31, 2023	1,744,286	\$ 0.50	\$ 11

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

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

The fair value allocated to the warrants at December 31, 2023 was \$11 (December 31, 2022 - \$109) and was recorded as a derivative financial liability as these warrants were exercisable in Canadian dollars, differing from the Company's functional currency. The unrealized gain recognized in the statements of loss and comprehensive loss for the year ended December 31, 2023 was \$98 (2022 - \$514).

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

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

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

	December 31, 2023	December 31, 2022
Expected warrant life	1.44 years	1.86 years
Expected stock price volatility	182.22%	192.76%
Dividend payment during life of warrant	Nil	Nil
Expected forfeiture rate	Nil	Nil
Risk free interest rate	3.88%	3.87%
Weighted average strike price CAD	\$ 0.50	\$ 0.42
Weighted average fair value per warrant CAD	\$ 0.0086	\$ 0.059
Weighted average share price CAD	\$ 0.03	\$ 0.1

## 17 Share capital

### (i) Share capital

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

#### Fiscal 2023

On January 16, 2023, the Company closed a private placement and issued 5,700,000 common shares at a price of CAD \$0.10 per share, for aggregate gross proceeds of approximately \$425 (CAD \$570). The Company incurred \$27 in transaction costs in relation to the private placement.

On July 28, 2023, the Company issued 29,052,000 common shares upon conversion of the outstanding convertible loan which had a face value of \$2,160 and was converted into common shares of the Company at CAD \$0.10 per share at a fixed FX rate of 1.345 USD to CAD (note 13).

On October 17, 2023, the Company issued 25,067,500 common shares on exercised its option to purchase all of the issued and outstanding common shares of MER (note 13).

#### Fiscal 2022

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

### (ii) Share based compensation

The Company has adopted a share option plan for which options to acquire up to 10% of the issued share capital, at the award date, may be granted to eligible optionees from time to time. Generally, share options granted have a maximum term of five years, and a vesting period and exercise price determined by the directors. The exercise price may not be less than the closing quoted price of the Company's common shares traded through the facilities of the exchange on which the Company's common shares are listed. As at December 31, 2023, the remaining share options available for issue under the plan were 284,316 (December 31, 2022 – 308,366).

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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Total share options granted during the year ended December 31, 2023 was 6,450,000 (2022 – nil). Total share-based compensation expense recognized for the fair value of share options granted and vested during the year ended December 31, 2023 was \$75 (2022 - \$173). The fair value of the share options granted during the year ended December 31, 2023 was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	<b>December 31, 2023</b>
Expected option life	5 years
Expected stock price volatility	188%
Dividend payment during life of option	Nil
Expected forfeiture rate	Nil
Risk free interest rate	3.98%
Weighted average strike price	\$ 0.04
Weighted average fair value per option	\$ 0.04
Weighted average share price	\$ 0.04

	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Outstanding - beginning of year	1,984,000	\$ 0.375	1,984,000	\$ 0.375
Granted	6,450,000	0.040	-	-
Expired/forfeited	(444,000)	0.464	-	-
Outstanding - end of year	7,990,000	\$ 0.099	1,984,000	\$ 0.375

The following table discloses the number of options and vested options outstanding as at December 31, 2023:

	<b>Options Outstanding</b>			<b>Options Exercisable</b>		
	<b>Options outstanding</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Weighted average exercise price (C\$/option)</b>	<b>Options outstanding and exercisable</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Weighted average exercise price (C\$/option)</b>
<b>Exercise price (C\$/option)</b>						
\$0.35	815,000	1.57	\$ 0.35	815,000	1.57	\$ 0.35
\$0.35	725,000	2.99	\$ 0.35	725,000	2.99	\$ 0.35
\$0.04	6,450,000	4.84	\$ 0.04	1,612,500	4.84	\$ 0.04
Outstanding - end of year	7,990,000	4.34	\$ 0.10	3,152,500	4.34	\$ 0.19

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

### 18 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, 2023 and 2022, are as follows:

	2023	2022
Short-term employee benefits included in salary and consulting	\$ 161	\$ 260
Director's fees included in professional fees	115	115
Share-based compensation	71	149
Consulting fees included in salary and consulting	108	108
	\$ 455	\$ 632

Short-term employee benefits include salaries incurred within the last twelve months of the statement of financial position date and other annual employee benefits.

At December 31, 2023, accounts payable and accrued liabilities includes \$192 (December 31, 2022 - \$139) owing to a director and/or officer and/or companies controlled by the directors.

During the year ended December 31, 2023 the Company paid consulting fees totalling \$108 (2022 - \$108) 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.

### 19 Cost of sales

	For year ended December 31,	
	2023	2022
Mining	\$ 6,164	\$ 682
Crushing	1,691	38
Plant and laboratory	722	118
Mine administration	773	4
Machine maintenance	92	44
Royalty	127	46
Change in inventory	(2,218)	-
Other	462	42
	\$ 7,813	\$ 974

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

### 20 Finance cost

	Note	For year ended December 31,	
		2023	2022
Accretion – decommissioning obligations	14	\$ 87	\$ 20
Interest expense – Accendo Loan	13	153	197
Interest on lease liability	15	17	24
Amortization of transaction costs	13	16	14
Other finance cost		-	5
		\$ 273	\$ 260

### 21 Income tax

	For the year ended	
	December 31, 2023	December 31, 2022
Current income tax expense	\$ 107	\$ -
Deferred income tax (recovery) expense	-	-
	\$ 107	\$ -

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, 2023	Canada	Mexico	Total
Tax loss carry-forwards	\$ 23	\$ 1,439	\$ 1,462
Mineral property	-	110	110
Property, plant and equipment	-	(208)	(208)
Development and operating mine properties	-	(349)	(349)
Other	(23)	(992)	(1,015)
Deferred tax liability	\$ -	\$ -	\$ -

December 31, 2022	Canada	Mexico	Total
Tax loss carry-forwards	\$ 40	\$ 2,138	\$ 2,178
Mineral property	-	(355)	(355)
Property, plant and equipment	-	(208)	(208)
Development and operating mine properties	-	(1,808)	(1,808)
Royalty deduction	-	251	251
Other	(40)	(18)	(58)
Deferred tax liability	\$ -	\$ -	\$ -

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

At December 31, 2023, 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, 2023	Canada	Mexico	Total
Tax loss carry-forwards	\$ 8,343	\$ 4,428	\$ 12,771
Investment	2,218	-	2,218
Capital losses	261	-	261
Mineral property	-	2,880	2,880
Property, plant and equipment	351	724	1,075
Decommissioning obligations	-	703	703
Royalty deduction	-	512	512
Other	234	845	1,079
Unrecognized deferred tax assets	\$ 11,407	\$ 10,092	\$ 21,499

December 31, 2022	Canada	Mexico	Total
Tax loss carry-forwards	\$ 8,178	\$ 3,037	\$ 11,215
Investment	2,170	-	2,170
Capital losses	252	-	252
Mineral property	-	1,861	1,861
Property, plant and equipment	344	614	958
Decommissioning obligations	-	771	771
Royalty deduction	-	75	75
Other	245	962	1,207
Unrecognized deferred tax assets	\$ 11,189	\$ 7,320	\$ 18,509

The Company has non-capital losses of approximately \$29,200 (2022 - \$30,900) to reduce future income tax payable in Canada which expire between the years 2025 and 2043.

In Mexico, the Company has losses of approximately \$19,600 (2022 - \$10,000) to reduce income tax in Mexico which expire between 2024 and 2033.

The provision for income tax differs from the amount calculated using Canadian federal and provincial statutory income tax rate of 27% (2022 - 27%) as follows:

	Year ended December 31,	
	2023	2022
Expected income tax recovery	\$ (1,793)	\$ (824)
Non-deductible items	293	(984)
Foreign exchange	(1,027)	389
Royalty deduction	(72)	(86)
Other	(285)	(83)
Deferred tax assets not recognized	2,991	1,588
Income tax expense	\$ 107	\$ -

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

### 22 Segmented disclosure

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

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

	As at December 31, 2023			As at December 31, 2022		
	Canada	Mexico	Total	Canada	Mexico	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 84	\$ 208	\$ 292	\$ 50	\$ 409	\$ 459
Other receivables and prepaid expenses	17	3,479	3,496	135	3,111	3,246
Inventory	-	3,004	3,004	-	765	765
Right of use assets	85	-	85	147	-	147
Property, plant and equipment	-	1,883	1,883	-	2,482	2,482
Mineral property	-	240	240	-	788	788
Exploration property	-	419	419	-	7,518	7,518
<b>Liabilities</b>						
Accounts payable and accrued liabilities	(3,278)	(10,191)	(13,469)	(2,782)	(8,739)	(11,521)
Loan payable	(100)	-	(100)	(2,144)	(1,750)	(3,894)
Warrant liability	(11)	-	(11)	(109)	-	(109)
Lease liabilities	(82)	-	(82)	(152)	-	(152)
Decommissioning obligations	-	(2,126)	(2,126)	-	(2,295)	(2,295)



# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

Selected financial information by operating segments is as follows:

	As at December 31, 2023				As at December 31, 2022			
	Production	Exploration	Corporate	Total	Production	Exploration	Corporate	Total
<b>Assets</b>								
Cash and cash equivalents	\$ 208	\$ -	\$ 84	\$ 292	\$ 409	\$ -	\$ 50	\$ 459
Other receivables and prepaid expenses	3,479	-	17	3,496	3,111	-	135	3,246
Inventory	3,004	-	-	3,004	765	-	-	765
Right of use assets	-	-	85	85	-	-	147	147
Property, plant and equipment	1,883	-	-	1,883	2,482	-	-	2,482
Mineral property	240	-	-	240	788	-	-	788
Exploration property	-	419	-	419	-	7,518	-	7,518
<b>Total assets</b>	\$ 8,814	\$ 419	\$ 186	\$ 9,419	\$ 7,555	\$ 7,518	\$ 332	\$ 15,405

For the year ended December 31, 2023

	Corporate	Mining and Exploration	Total
Revenue	\$ -	\$ 9,793	\$ 9,793
Loss before income taxes	\$ (658)	\$ (5,981)	\$ (6,639)

For the year ended December 31, 2022

	Corporate	Mining and Exploration	Total
Revenue	\$ -	\$ 552	\$ 552
Loss before income taxes	\$ (443)	\$ (2,610)	\$ (3,053)

# Goldgroup Mining Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

### 23 Commitments

- a. In 2011, the Company acquired the Caballo Blanco project held previously by Almaden Minerals Ltd. (“Almaden”). As part of the consideration, the Company may have to issue up to an additional 7.0 million common shares of the Company upon achievement of certain project milestones. As a result, the Company recorded a contingent share consideration of \$3,305 (December 31, 2021 - \$3,305). Subsequent to the sale of Caballo Blanco to Timmins Gold in fiscal 2014 and further sale from Timmins Gold to Candelaria Mining Corp. in 2016, the terms of these contingent shares remained unchanged. Pursuant to a plan of arrangement the right to receive shares has been transferred to Almadex Minerals Limited.
- b. The Company was entitled to receive an additional contingent consideration from the 2014 Caballo Blanco sale of \$5.0 million (“Contingent Gain”) that would become payable in cash, Timmins Gold shares, or a combination thereof (at the option of Timmins Gold, provided that the Company’s ownership in Timmins Gold will not exceed 9.9% at any time) should any of the following events occur prior to October 31, 2019:
  - The approval of the Project's Environmental Impact Statement from SEMARNAT (“Environmental Permit”); or
  - A change in beneficial ownership of Timmins Gold of greater than 50%; or
  - The removal or change, at one time, of a majority of the current members of the Timmins Gold Board of Directors

During the year ended December 31, 2016, the Company sold the contingent receivable to Credipresto for cash consideration of \$1,900, which was paid upon execution and the proceeds were used to pay back the principal of the Facility and recognizing a gain on sale of \$1,900. An additional \$600 will be contingently payable to the Company by Credipresto when the owner of Caballo Blanco receives the Environmental Permit. Although the Company may become entitled to the contingent payments, the value of these payments has not been recognized in the statement of financial position as at December 31, 2023 due to the level of uncertainty surrounding the conditions required for the payments.

### 24 Capital management

The capital of the Company consists of items included in shareholders’ deficiency. 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, 2023, the Company expects its capital resources will require additional financial support for its normal operating requirements, planned development and exploration of its mineral properties for the next twelve months. There are no externally imposed capital requirements to which the Company has not complied. There has been no change to the capital management of the Company during the year ended December 31, 2023.

### 25 Supplemental cash flow information

Supplemental cash flow information	Notes	2023	2022
Decommissioning obligations – change in estimate	14	\$ 57	\$ 274
Recognition of right of use asset and lease liability	15	\$ 42	\$ 43
Derecognition of right of use asset and lease liability	15	\$ 38	\$ -
Exploration and evaluation assets in accounts payable		\$ -	\$ 8,793
Warrants issued as part of private placement	16	\$ -	\$ 368
Depreciation in exploration and evaluation assets	12	\$ 371	\$ 389
Common shares issued on acquisition	17	\$ 735	\$ -
Debt settlement	13	\$ 1,838	\$ -
Depreciation and depletion included in inventory	7	\$ 149	\$ -
Convertible debt converted	13	\$ 2,162	\$ -