

VANCOUVER, Aug. 31, 2016 /CNW/ - [Goldgroup Mining Inc.](http://www.goldgroupmining.com) ("Goldgroup" or the "Company") (TSX:GGA, OTC:GGAZF, BMV SIX:GGAN.MX) is pleased to announce the favorable results and award ("Award") from the conclusion of the arbitration ("Arbitration") between Goldgroup and Dyna USA, Inc. ("DynaUSA"). The results and Award were issued by the American Arbitration Association – International Centre for Dispute Resolution ("Arbitrator" or "ICDR") on August 24, 2016. This Award is final, binding and may be enforced in court. A copy of the Award has been filed on SEDAR and posted to our website.

<https://www.goldgroupmining.com/assets/docs/news/2016-08-24-icdr-award.pdf>

In addition, the Company would like to respond to DynaUSA's legal claims on its recent press release dated August 24, 2016.

Results and Award from Arbitration

Under Article 78 of the Mexican Commercial Code: "In mercantile agreements, each party assumes his obligation in the manner and terms he has chosen; the validity of the commercial transaction depends neither on compliance with formalities nor on specific requirements." In other words, commercial contracts generally are enforceable as drafted. Measured against this standard, the Arbitrator concluded that there is no doubt that DynaUSA has failed to do what they are obligated to do under an Earn-In/Option Agreement with Goldgroup, dated September 1, 2006 (the "Agreement").

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

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

The Award was rendered in Denver according to the US Federal Arbitration Act and is fully enforceable in the United States without the need of going through the Mexican judiciary, since the main defendant was DynaUSA, an American company, domiciled in Texas. The merits of the case and the arbitration award are not subject to any review by any court in the US or abroad. Canada, the US and Mexico are signatories of the UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards which provides for the enforcement and recognition of arbitral awards with no authority to enter into the merits of the resolution by the judicial authorities of the parties to that convention.

There may be more proceedings either in Mexico or in the U.S. However, as at the date of this news release, the Company now has a clear definition and legal direction from the Arbitrator.

In detail, the Arbitrator awarded the following to Goldgroup:

- Agreement remains in full force and effect, and is enforceable, in accordance with its terms. This includes, without limitation, the arbitration clause in the Agreement.
- DynaUSA has breached its obligations to Goldgroup under the Agreement, each breach of the Agreement is also a breach of DynaUSA's obligations to act in good faith, which is required under the Agreement pursuant to Mexican law.
- Each of Goldgroup and DynaUSA are entitled to appoint two directors to the board of directors of DynaMexico, and the board of directors shall consist of a total of five members. Within no later than 30 calendar days (i.e by September 23, 2016) from August 24, 2016, Goldgroup and DynaUSA shall hold a meeting of the Shareholders of DynaMexico for the purpose of appointing the fifth member of DynaMexico's Board of Directors, as required under the Agreement. Each of Goldgroup and DynaUSA shall act in good faith with respect to this appointment. The parties shall exchange, in writing, the names of potential candidates for the fifth director by no later than 10 calendar days (no later than September 3, 2016) from the date of the Award.

- Per the Agreement, the Management Committee shall continue to exist unless and until the parties agree otherwise in writing. The Management Committee has all of the authority and responsibilities described in the Agreement. The Management Committee has the authority to approve a budget for any expenditures ("Expenditures") within the terms of the Agreement. Any Expenditures that are not included in a budget approved by the Management Committee are improper and unauthorized. The powers of attorney purportedly granted to Mr. Diepholz (Chairman and Chief Executive Officer ("CEO") of DynaUSA) before the date of the Agreement cannot validly be construed to authorize Mr. Diepholz to circumvent the Management Committee's power to approve and oversee Expenditures. Therefore, unless the parties agree otherwise in writing, neither Mr. Diepholz nor anyone else, has any authority to cause DynaMexico to incur Expenditures that are not included in a budget approved by the Management Committee and overseen by the Management Committee.
- By no later than 20 calendar days (no later than September 13, 2016) from the date of this Award, DynaUSA must account to Goldgroup, in writing and with particularity and in detail, for any and all Expenditures that DynaMexico has incurred since June 2011. Further, any Expenditures that have been incurred since June 2011 that were not included in a budget approved by the Management Committee were improper, and must be refunded to DynaMexico by no later than 45 days from the date of this Award. To the extent that Mr. Diepholz caused DynaMexico to incur Expenditures that were not authorized by the Management Committee, the Arbitrator concluded that Mr. Diepholz (as DynaUSA's Chairman and CEO) was acting on DynaUSA's behalf. Thus, as a shareholder in DynaMexico, DynaUSA must pay to DynaMexico the full amount of the unauthorized Expenditures that it (through Mr. Diepholz or otherwise) caused DynaMexico to incur from June 2011 through (and including) the date of this Award. The amounts that DynaUSA must pay to DynaMexico include, without limitation, the amount of USD\$1,044,952.46 for various legal and other expenses that DynaUSA originally paid.
- By causing DynaMexico to issue new shares and thus dilute Goldgroup's 50% equity interest in DynaMexico, Dyna breached its obligations of acting in good faith under the Agreement and otherwise acted in violation of Goldgroup's rights under the Agreement. Although the Arbitrator concluded that Goldgroup is entitled to a declaration that Dyna breached its obligation of good faith under the Agreement and otherwise acted in violation of Goldgroup's rights under the Agreement, the Arbitrator lacked the extraterritorial jurisdiction to order DynaMexico to hold a shareholders' meeting to rescind the unauthorized issuance of new shares to DynaUSA. The Arbitrator recommended Goldgroup remedy the situation through the Mazatlan Litigation, the Mexican court proceedings under which Goldgroup is asserting its non-arbitral claims for breaches of DynaMexico's bylaws and the Mexican General Law of Commercial Companies.
- For the reasons explained above, DynaUSA must pay Goldgroup a total of USD\$403,913.92 including
 - (i) USD\$325,000.00 for attorneys' fees and costs attributable to Holland & Hart;
 - (ii) USD\$2,795.00 for the cost of the hearing transcript; and
 - (iii) USD\$76,118.92 for attorneys' fees and costs attributable to Loperena, Lerch y Martin Del Campo.
- The administrative fees and expenses of the ICDR, totaling USD\$20,800.00, and the compensation and expenses of the Arbitrator, totaling USD\$64,813.00, shall be borne entirely by DynaUSA. Therefore, DynaUSA shall reimburse Goldgroup the sum of USD\$85,613.00, representing that portion of said fees and expenses in excess of the apportioned costs previously incurred by Goldgroup, upon demonstration by Goldgroup that these incurred costs have been paid.
- As DynaUSA sought to enjoin this arbitration through Mexico City litigation, DynaUSA flagrantly and in bad faith breached their obligations under the Agreement and thus has caused harm to Goldgroup. DynaUSA must promptly reimburse Goldgroup for all amounts that Goldgroup incurs to challenge the order of the court in the Mexico City litigation concerning arbitrability .

DynaUSA press release dated August 24, 2016

Goldgroup would like to address DynaUSA's legal claims against the Company, which were press released on August 24, 2016 and October 13, 2015. Goldgroup will mainly focus on the legal claim in regards to DynaUSA's award in excess of USD\$48 million in damages against the Company.

Goldgroup's position in response to the US\$48 million claim remains the same with its previous press release (see Goldgroup's October 14, 2015 press release). Goldgroup was never notified of the purported court case, and does not recognize any of the claims mentioned therein and is of the belief that such claims are entirely without merit. More importantly, the Company expects the claim to be voided due to the unambiguous result and Award in favor of Goldgroup.

"After years of legal disputes, we are getting closer to regaining control of San Jose de Gracia," said Keith Piggott, Chairman, President and CEO of Goldgroup, "We'll continue to work towards the enforcement through a Federal United States judge to monetize the Award." Mr. Piggott also commented, "Due to the Award from the Arbitration, Dyna's award of damages in excess of USD \$48 million against Goldgroup, by virtue of a ruling issued on October 5, 2015 by the Thirty Sixth Civil Court of the Superior Court of Justice of the Federal District of México, is voided."

Goldgroup is a Canadian-based gold production, development, and exploration Company with significant upside in a portfolio of projects in Mexico, including a 50% interest in DynaResource de Mexico, S.A. de C.V., which owns 100% of the high-grade gold exploration project, San José de Gracia located in the State of Sinaloa. The Company also operates its 100%-owned Cerro Prieto heap-leach gold mine, in the State of Sonora.

Goldgroup is led by a team of highly successful and seasoned individuals with extensive expertise in mine development, corporate finance, and exploration in Mexico. Goldgroup's mission is to increase gold production, mineral resources, profitability and cash flow, with a view to building a leading gold producer in Mexico.

For further information on Goldgroup, please visit www.goldgroupmining.com

On behalf of the Board of Directors,

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain information contained in this news release, including any information relating to future financial or operating performance, may be considered "forward-looking information" (within the meaning of applicable Canadian securities law) and "forward-looking statements" (within the meaning of the United States Private Securities Litigation Reform Act of 1995). These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Actual results could differ materially from the conclusions, forecasts and projections contained in such forward-looking information. These forward-looking statements reflect Goldgroup's current internal projections, expectations or beliefs and are based on information currently available to Goldgroup. In some cases forward-looking information can be identified by terminology such as "may", "will", "should", "expect", "intend", "plan", "anticipate", "believe", "estimate", "projects", "potential", "scheduled", "forecast", "budget" or the negative of those terms or other comparable terminology. Certain assumptions have been made regarding the Company's plans at the Cerro Prieto project. Many of these assumptions are based on factors and events that are not within the control of Goldgroup and there is no assurance they will prove to be correct. Forward-looking information is subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to materially differ from those reflected in the forward-looking information, and are developed based on assumptions about such risks, uncertainties and other factors including, without limitation: uncertainties related to actual capital costs, operating costs and expenditures, production schedules and economic returns from Goldgroup's projects; uncertainties associated with development activities; uncertainties inherent in the estimation of mineral resources and precious metal recoveries; uncertainties related to current global economic conditions; fluctuations in precious and base metal prices; uncertainties related to the availability of future financing; potential difficulties with joint venture partners; risks that Goldgroup's title to its property could be challenged; political and country risk; risks associated with Goldgroup being subject to government regulation; risks associated with surface rights; environmental risks; Goldgroup's need to attract and retain qualified personnel; risks associated with potential conflicts of interest; Goldgroup's lack of experience in overseeing the construction of a mining project; risks related to the integration of businesses and assets acquired by Goldgroup; uncertainties related to the competitiveness of the mining industry; risk associated with theft; risk of water shortages and risks associated with competition for water; uninsured risks and inadequate insurance coverage; risks associated with potential legal proceedings; risks associated with community relations; outside contractor risks; risks related to archaeological sites; foreign currency risks; risks associated with security and human rights; and risks related to the need for reclamation activities on Goldgroup's properties, as well as the risk factors disclosed in Goldgroup's Annual Information Form and MD&A. Any and all of the forward-looking information contained in this news release is qualified by these cautionary statements. Although Goldgroup believes that the forward-looking information contained in this news release is based on reasonable assumptions, readers cannot be assured that actual results will be consistent with such statements. Accordingly, readers are cautioned against placing undue reliance on forward-looking information. Goldgroup expressly disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, events or otherwise, except as may be required by, and in accordance with, applicable securities laws.

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