GOLDGROUP MINING INC.

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2011

March 30, 2012

TABLE OF CONTENTS

ITEM 1
GENERAL MATTERS

In this Annual Information Form, unless the context otherwise requires, the "Company" or "Goldgroup" refers to Goldgroup Mining Inc. and its subsidiaries. Unless otherwise indicated, information in the Annual Information Form is provided as of December 31, 2011.

This Annual Information Form should be read in conjunction with the Company's consolidated financial statements and management's discussion and analysis for the year ended December 31, 2011. The financial statements and management's discussion and analysis are available under the Company's profile on SEDAR at www.sedar.com.

Cautionary Statement on Forward-Looking Information

This Annual Information Form contains "forward-looking information" (within the meaning of applicable Canadian securities law) concerning Goldgroup's plans at its Mineral Properties and other matters. 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.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects", "is expected", "anticipates", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential" or variations thereof or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements. Forward-looking statements are 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 statements, and are developed based on assumptions about such risks, uncertainties and other factors set out herein 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;
- risks related to the continued operation of the Cerro Colorado mine without a current economic analysis;
- risks related to the planned expansion of the Cerro Colorado mine;
- 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 operating hazards at the Cerro Colorado Mine;
- 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.

This list is not exhaustive of the factors that may affect the Company's forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information. Investors should carefully consider the risks set out below under the heading "Risk Factors" as well as those contained in the management's discussion and analysis for the year ended December 31, 2011.

Compliance with NI 43-101

As required by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101"), Goldgroup has filed technical reports detailing the technical information related to its material mineral properties discussed herein. For the purposes of NI 43-101, the Company's material mineral properties are the Cerro Colorado Mine, Caballo Blanco Project and the San José de Gracia Property. Unless otherwise indicated, Goldgroup has prepared the technical information in this Annual Information Form ("Technical Information") based on information contained in the technical reports, news releases and other public filings (collectively, the "Disclosure Documents") available under the Company's profile on SEDAR. Each Disclosure Document was prepared by or under the supervision of a qualified person as defined in NI 43-101. For readers to fully understand the information in this Annual Information Form, they should read the Disclosure Documents in their entirety, including all qualifications, assumptions and exclusions that relate to the information set out in this Annual Information Form which qualifies the Technical Information. The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

Marc Simpson, P. Geo., who is Goldgroup's qualified person for the purposes of NI 43-101, has reviewed and verified the Technical Information. Marc Simpson was appointed Goldgroup's qualified person effective July 1, 2011 and prior to that date Kevin J. Sullivan, Vice President Exploration was Goldgroup's qualified person.

Classification of Mineral Reserves and Mineral Resources

In this Annual Information Form and as required by NI 43-101, the definitions of proven and probable mineral reserves and measured, indicated and inferred mineral resources are those used by Canadian provincial securities regulatory authorities and conform to the definitions utilized by the Canadian Institute of Mining, Metallurgy and Petroleum in the "CIM Definition Standards on Mineral Resources and Mineral Reserves".

Cautionary Note to U.S. Investors Concerning Estimates of Mineral Reserves and Mineral Resources

The disclosure in this Annual Information Form uses mineral resource and mineral reserve classification terms that comply with reporting standards in Canada, and, unless otherwise indicated, all mineral resource and mineral reserve estimates included in this Annual Information Form have been prepared in accordance with NI 43-101. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. These standards differ significantly from the disclosure requirements of the United States Securities and Exchange Commission (the "SEC") set forth in Industry Guide 7. Consequently, mineral resource and mineral reserve information contained in this Annual Information Form is not comparable to similar information that would generally be disclosed by U.S. companies in accordance with the rules of the SEC.

In particular, the SEC's Industry Guide 7 applies different standards in order to classify mineralization as a reserve. As a result, the definitions of proven and probable reserves used in NI 43-101 differ from the definitions in Industry Guide 7. Under SEC standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Accordingly, mineral reserve estimates contained in this Annual Information Form may not qualify as "reserves" under SEC standards.

In addition, this Annual Information Form uses the terms "measured mineral resources," "indicated mineral resources" and "inferred mineral resources" to comply with the reporting standards in Canada. The SEC's Industry Guide 7 does not recognize mineral resources and U.S. companies are generally not permitted to disclose resources in documents they file with the SEC. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into SEC defined mineral "reserves." Further, "inferred mineral resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Therefore, investors are also cautioned not to assume that all or any part of an inferred mineral resource exists. In accordance with Canadian rules, estimates of "inferred mineral resources" cannot form the basis of feasibility or other economic studies, except in rare cases. In addition, disclosure of "contained ounces" in a mineral resource estimate is permitted disclosure under NI 43-101 provided that the grade or quality and the quantity of each category is stated; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade without reference to unit measures. For the above reasons, information contained in this Annual Information Form containing descriptions of our mineral resource and mineral reserve estimates is not comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC.

Non-GAAP Measure - Cash Costs

This Annual Information Form often refers to cash costs per ounce, a non-GAAP performance measure in order to provide investors with information about the measure used by management to monitor performance. This information is used to assess how well the producing gold mine is performing compared to plan and prior periods, and also to assess the overall effectiveness and efficiency of gold mining operations. "Cash cost" figures are calculated in accordance with a standard developed by The Gold Institute, which was a worldwide association of suppliers of gold and gold products and included leading North American gold producers. The Gold Institute ceased operations in 2002, but the standard is still an accepted standard of reporting cash costs of gold production in North America. Adoption of the standard is voluntary and the cost measures presented herein may not be comparable to other similarly titled measures of other companies. Costs include mine site operating costs such as mining, processing, administration, royalties and production taxes, but are exclusive of amortization, reclamation, capital, exploration and development costs. These costs are then divided by ounces of gold sold to arrive at the total cash costs per ounce of gold sold. The measure, along with sales, is considered to be a key indicator of a company's ability to generate operating earnings and cash flow from its mining operations.

These gold cash costs differ from measures determined in accordance with Canadian GAAP. They are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP. These measures are not necessarily indicative of net earnings or cash flow from operations as determined under Canadian GAAP. Refer to Goldgroup's management's discussion and analysis for the year ended December 31, 2011 filed on SEDAR at www.sedar.com for a reconciliation of total cash cost to the most directly comparable GAAP measure.

Currency Information

All dollar amounts in this Annual Information Form are expressed in United States ("US") dollars except as otherwise indicated. References to "$", "US$" or dollars are to United States dollars and references to "C$" are to Canadian dollars. For Canadian dollars to US dollars, based on the Bank of Canada noon rate, the annual average exchange rate for 2011 and the exchange rate at December 30, 2011 were one Canadian dollar per US$0.9884 and US$1.0170, respectively. For reporting purposes, Goldgroup prepares its financial statements in US dollars and in conformity with accounting principles generally accepted in Canada, or Canadian GAAP.

Historic Gold Prices

The price of gold fluctuates with the average price increasing for the last ten calendar years. The following table shows the average daily P.M. gold price fixing on the London Bullion Market for each calendar year from 2002 to 2011.

Year	Average Gold Price ($/oz.)
2002	310
2003	363
2004	409
2005	444

Year	Average Gold Price ($/oz.)
2006	604
2007	696
2008	872
2009	973
2010	1,226
2011	1,572

ITEM 2
CORPORATE STRUCTURE

2.1 NAME, ADDRESS AND INCORPORATION

The Company, formerly known as Acabit Exploration Inc., was formed under the laws of the Province of Québec by the result of a merger under the *Companies Act* (Québec) on November 9, 1989. In 1996, the Company changed its name to Western Pacific Mining Exploration Inc. In October 2002, the Company consolidated its outstanding common shares on the basis of one new common share for ten old common shares and changed its name to Sierra Minerals Inc.

Business Combination between Sierra Minerals and Goldgroup

On January 29, 2010, the Company and Goldgroup Holdings Corp. ("Pre-RTO Goldgroup" and formerly Goldgroup Resources Inc.), a privately held British Columbia company, entered into a binding letter agreement with respect to a proposed business combination (the "RTO"). On February 23, 2010, the Company and Pre-RTO Goldgroup signed a definitive agreement with respect to the RTO.

On April 30, 2010, the Company changed its name from Sierra Minerals Inc. to Goldgroup Mining Inc. and consolidated its common shares on the basis of one new common share for 2.85 old common shares. Effective April 30, 2010, the Company completed the RTO with Pre-RTO Goldgroup pursuant to a statutory plan of arrangement under the *Business Corporations Act* (British Columbia). The RTO has been treated as a reverse take-over of the Company by Pre-RTO Goldgroup. Pursuant to the RTO, security holders of Pre-RTO Goldgroup received 51,942,637 post-consolidated common shares of the Company in exchange for their Pre-RTO Goldgroup common shares. In addition, all outstanding options to acquire Pre-RTO Goldgroup shares were exchanged for options to acquire the equivalent number of common shares of the Company for the same aggregate consideration.

On May 7, 2010, the Company began trading on the Toronto Stock Exchange ("TSX") under its new symbol "GGA". The head office of the Company is located at Suite 2184, 1055 Dunsmuir St., Vancouver, British Columbia V7X 1L3. The Company's registered office is located at 595 Burrard Street, P.O. Box 49314, Suite 2600, Three Bentall Centre, Vancouver, British Columbia, V7X 1L3.

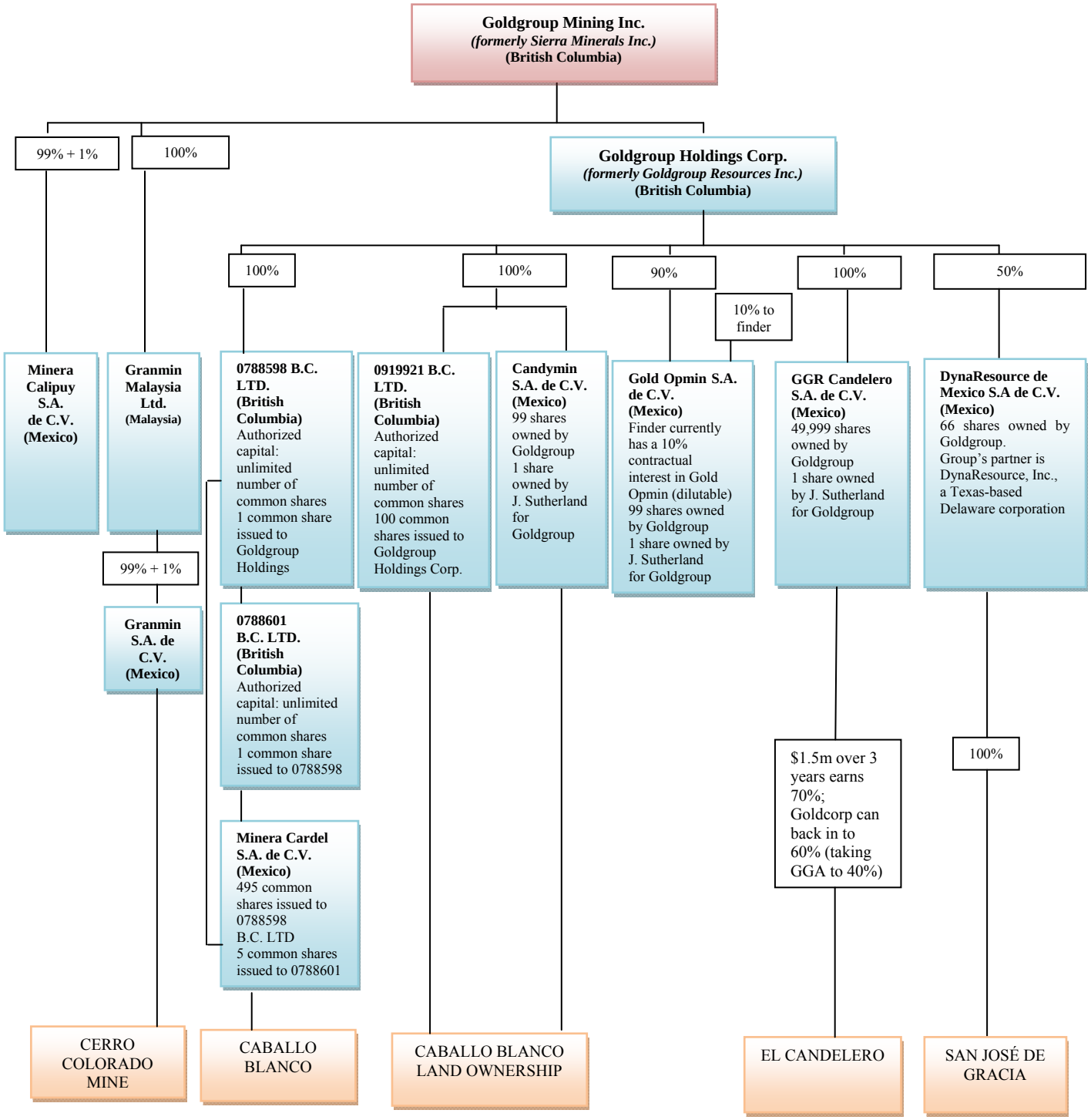
Effective after the close of trading on September 16, 2011, the Standard and Poor's Canadian Index Operations added Goldgroup to the S&P/TSX SmallCap Index.

Change in Jurisdiction

On June 10, 2011 the Company held its Annual General and Special Meeting of Shareholders whereby the Shareholders approved the continuance of the Company under the *Business Corporations Act* (Québec) to the *Business Corporations Act* (British Columbia). The continuance was completed on July 28, 2011.

2.2 INTER-CORPORATE RELATIONSHIPS

The following chart sets out Goldgroup's corporate structure, including all subsidiaries and their respective jurisdictions of incorporation. Goldgroup's corporate structure, including all subsidiaries and their respective jurisdictions of incorporation is as follows:



ITEM 3
GENERAL DEVELOPMENT OF THE BUSINESS

OVERVIEW

Goldgroup is focused on the acquisition, exploration and development of advanced stage gold-bearing mineral properties in the Americas. The Company's current gold exploration, development and production activities are conducted exclusively in Mexico. Goldgroup owns a property portfolio that includes a 100% interest in the Caballo Blanco project in Veracruz and 50% interest in the San José de Gracia gold project in Sinaloa. Goldgroup also owns and operates the Cerro Colorado mine in Sonora.

Effective after the close of trading on September 16, 2011, the Standard and Poor's Canadian Index Operations added Goldgroup to the S&P/TSX SmallCap Index. The Company is listed on the Toronto Stock Exchange ("TSX").

3.1 THREE YEAR HISTORY

YEAR ENDED DECEMBER 31, 2011

- During the first quarter of 2011, the Company met the required aggregate property related expenditures of $12 million to complete its 70% earn-in interest on the Caballo Blanco gold project in Mexico.
- On October 14, 2011 the Company acquired the remaining 30% interest in the Caballo Blanco project held previously by Almaden Minerals Ltd. ("Almaden"). Goldgroup now owns 100% of the Caballo Blanco project.
- On March 14, 2011 the Company completed its earn-in/option agreement with DynaResource de Mexico SA de CV ("DynaMexico") for its 50% equity interest on the San José de Gracia project by reaching the expenditure funding requirement of $18,000,000.
- On March 10, 2011 the Company completed a short-form prospectus financing of 25 million common shares at a price of $1.44 (C$1.40) per share, for gross proceeds of $35,966,000 (C$35,000,000). In connection with the offering the underwriters exercised an overallotment option, in full, to acquire an additional 3.75 million common shares at $1.44 (C$1.40) per share, for gross proceeds of $5,394,900 (C$5,250,000). Share issue costs on this financing were $3,413,250 (C$3,365,453), which were paid to arm's lengths parties. The net proceeds received were $37,947,650 (C$36,884,547).
- On June 10, 2011 the Company held its Annual General and Special Meeting of Shareholders whereby the Shareholders approved the continuance of the Company under the *Business Corporations Act* (Québec) to the *Business Corporations Act* (British Columbia). The continuance was completed on July 28, 2011.
- The Company released an updated technical report dated effective September 5, 2011, which significantly increased the Company's mineral resource estimate at San José de Gracia, establishing indicated mineral resources at the Tres Amigos vein of 147,000 ounces of gold, and growing inferred mineral resources at all four veins from 618,000 to 963,000 ounces of gold, representing an increase of 56%.
- The Company incurred mineral expenditures of $32,121,245 at Caballo Blanco, which includes acquisition costs of $19,049,197, drilling costs of $6,467,394 and other exploration costs of $6,604,654.
- The Company completed 32,345 metres of diamond drilling on the La Paila zone at Caballo Blanco.
- On December 31, 2011, the company recorded an impairment charge of $8,600,000 to the Cerro Colorado mine. The impairment resulted from an independent economic assessment which estimated that at the current production levels, the remaining life of the mine would be approximately 18 months from January 1, 2012.

The following are the Director, Officer and management changes made during the year ended December 31, 2011: i) on January 10, 2011 the Company announced the appointment of Dr. Paul Zweng to the Board of Directors and on March 25, 2011 Dr. Zweng joined the audit committee and compensation committee; ii) Richard Irvine was appointed General Manager, Caballo Blanco effective May 25, 2011 and resigned on February 23, 2012; iii) Dustin Vandoorselaere was appointed Projects Manager effective May 25, 2011; and Brigitte McArthur was appointed Corporate Secretary on April 11, 2011.

SUBSEQUENT TO YEAR ENDED DECEMBER 31, 2011

- Goldgroup released an updated technical report on the Caballo Blanco gold project on February 16, 2012 based on drilling completed in 2010 and 2011**.** Based on a 0.2 g/t Au cut-off grade, the Company's indicated mineral resource estimate at the La Paila Zone at Caballo Blanco grew by 314% compared to the prior technical report (dated March 22, 2010), from 139,000 to 575,000 ounces of gold (28.9 million tonnes grading 0.62 g/t Au). The inferred mineral resource estimate summed to 419,000 ounces of gold (24.0 million tonnes grading 0.54 g/t Au).
- The Company expects to release its preliminary economic assessment study on the Caballo Blanco project in Q2 of 2012.

YEAR ENDED DECEMBER 31, 2010

On November 26, 2010, the Company closed a private placement of 3,000,000 units at C$1.00 per unit for gross proceeds of C$3,000,000. Each unit consisted of one common share and one warrant to purchase one additional common share at C$1.25 per common share until November 26, 2015. The securities issued in connection with the private placement are subject to a four month hold period expiring March 27, 2011. A cash commission equal to 6% of the gross proceeds was paid in connection with the private placement.

On July 9, 2010, the Company sold its 100% interest in the assets comprising the El Porvenir gold project in Aguascalientes, Mexico to the Frisco Group for $25,000,000. The Company simultaneously paid $1,700,000 to discharge a royalty interest on the property held by a third party to net $23,300,000 in sale proceeds on the transaction. On July 15, 2010, the Company used part of the sale proceeds to repay in full the Bridge Loan.

In June 2010, Goldgroup completed the purchase of Mineral Cardel, and acquired the option to earn a 70% interest in the Caballo Blanco Project by making the final $3,000,000 payment to NGEx. On June 7, 2010 the Company obtained a bridge loan of $3,250,000 from Auramet Trading, LLC to complete its acquisition of its interest in the Caballo Blanco Project (the "Bridge Loan"). The Company pledged the shares of its wholly owned subsidiary, Granmin Malaysia, Ltd., which owns the operating mine, Cerro Colorado, as security. The Bridge Loan accrued interest at a rate of 10% per annum, payable on a monthly basis commencing July 1, 2010. The Company paid a 3% financing fee of $97,500 and issued 100,000 warrants to Auramet Trading, LLC, exercisable at C$1.00, expiring June 18, 2011. In the event that the warrants are not exercised, a $25,000 payment is due.

As discussed above, effective April 30, 2010 the Company completed the RTO with Pre-RTO Goldgroup and began trading under its new symbol "GGA" on the TSX on May 7, 2010.

YEAR ENDED DECEMBER 31, 2009

On November 23, 2009, Pre-RTO Goldgroup entered into a share purchase agreement with NGEx Resources Inc. ("NGEx") to indirectly acquire 100% of the issued and outstanding shares of Minera Cardel S.A. de C.V. ("Minera Cardel"). Minera Cardel is the owner of an option to acquire a 70% undivided interest in the Caballo Blanco Project. Title to the Caballo Blanco mineral claims is held by a subsidiary of Almaden, which will retain a 30% stake in the project.

During 2009, the Company was successful in completing two private placements for total gross proceeds of $3,193,109 (C$3,730,000) by issuing 18,650,000 units at C$0.20. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitled the holder to acquire one additional common share at a price of C$0.30 per share until February 27, 2011 for 4,325,000 warrants in connection with the first financing and March 25, 2011 for the other 5,000,000 warrants in connection with the second financing as detailed below. All warrants have been exercised.

On March 9, 2009, the Company closed the first tranche of these financings through the issuance of 8,000,000 units at C$0.20 for proceeds of $1,257,744 (C$1,600,000) and on April 3, 2009, closed the second and final tranche of this first non-brokered private placement through the issuance of 650,000 units priced at C$0.20 per unit for total proceeds of $103,025 (C$130,000).

On September 25, 2009, the Company closed a second non-brokered private placement of 2009 through the issuance of 10,000,000 units priced at C$0.20 per unit for total proceeds of $1,832,340 (C$2,000,000). Each of the common shares and warrants were subject to a hold period of four months plus one day from the date of issuance in accordance with the policies of the TSX and applicable securities laws. No fees were paid in connection with the first private placement while a finder's fee of C$75,000 was paid in connection with the second financing.

On February 18, 2010, the Company made the final principal and interest payment against the Warman I Loan as payment in full. In total, the Company repaid $1,763,712 in loan principal during 2009 with the final $450,000 repaid in February 2010. The Company also paid $293,136 in interest payments against these loans in 2009 with an additional $5,523 paid in February 2010. The restructuring and repayment of the various loans during 2009 is detailed below.

Operationally, the Cerro Colorado mine produced 20,546 ounces of gold during 2009 and recognized record revenue and operating cash flow. In relation to its goal to expand production, during 2009 the Company substantially completed all of the upgrades necessary to achieve its ultimate target of producing 25,000 to 30,000 ounces of gold annually. Throughout 2009, Sierra worked to complete construction of its new 5 million tonne leach pad, which was commenced midway through 2008. In April 2009, the Company purchased three additional CAT 773B haul trucks for the mine at a cost of $315,600. The increased haulage capacity enabled Sierra to perform development waste stripping to expose the ore-body at Upper Breccia zone without compromising our ability to maintain production levels. In June 2009, the Company commissioned the final additional carbon columns at its plant, bringing the total number of carbon columns in circuit up to 30 from the old level of 18. In addition, in early August 2009, the mine completed the installation and commissioning of a new strip boiler designed to increase the daily rates of stripping gold off of carbon. In October 2009, the new ramp construction for access from the Breccia Pit to the leach pad was completed. To reduce operating costs, in October 2009, the Company purchased a CAT D9N dozer for $125,000 to replace a rental dozer. Lastly, to further reduce costs and increase productivity, the Company is began examining the purchase of a secondary crushing system to replace its current, limited capacity, rental system and in March 2010, placed a deposit of $465,000 towards the purchase of a $1.4 million secondary crushing system.

As at December 31, 2008, this unsecured loan was in default with principal of $1,950,000 and accrued interest of $172,394 payable on demand. On March 6, 2009, the Company entered into a new promissory note with Warman, replacing the old Warman I Loan. It was agreed that accrued and unpaid interest up to March 5, 2009 would be capped at $190,000 and that the Company would make payments of $190,000 as payment in full against all accrued and unpaid interest and $500,000 towards outstanding principal, such that the principal balance of the new loan would be $1,450,000. On March 9, 2009, the Company made the required payments to Warman. The payments were made from the proceeds of the first non-brokered private placement discussed above. The new unsecured $1,450,000 principal loan, dated March 6, 2009, bear interest at 8% payable quarterly and was repayable as follows: $150,000 on or before June 30, 2009, $350,000 on or before September 30, 2009, $500,000 on or before December 31, 2009 and $450,000 on or before March 31, 2010. The Company made all required principal repayments during 2009 and repaid the remaining $450,000 on February 18, 2010.

In February 2009, the Company and Warman agreed to cap the accrued and unpaid interest on this loan at $17,767 such that the outstanding principal of $87,233 plus the accrued interest equalled $105,000, provided the Company make immediate payment of this total. On February 20, 2009, the Company made a payment of $105,000 to Warman as full and final settlement of the Warman II Loan. The payment was made from cash flow from operations.

On December 22, 2008, the Company entered into a new promissory note with Piggott replacing the old Piggott loan. It was agreed to reduce the interest rate from 20% to 4% retroactive to September 15, 2007. The $70,000 principal balance of the new unsecured loan was due for repayment by December 31, 2009. On February 13, 2009, the Company paid $20,000 to Mr. Piggott ($4,005 – interest, $15,995 – principal) and on September 30, 2009 paid $55,360 ($1,355 – interest, $54,005 – principal) as full and final payment of this loan. Both payments were made from cash flow from operations.

3.2 SIGNIFICANT ACQUISITIONS

The Company has not completed any significant acquisitions during its most recently completed financial year for which disclosure is required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

ITEM 4
DESCRIPTION OF THE BUSINESS

4.1 GENERAL

Goldgroup is focused on the acquisition, exploration and development of advanced stage gold-bearing mineral properties in the Americas.

Revenue

All of the Company's operating revenue is derived from the sale of refined precious metals produced at the Cerro Colorado Mine through:

- Metalor USA in North Attleborough, Massachusetts ("Metalor");
- Auramet Trading LLC in Fort Lee, New Jersey ("Auramet").

Metalor Technologies SA is an international Swiss-based group, with subsidiaries in 15 countries. It is a leading participant in the field of precious metals and advanced materials. Metalor's Refining Division is an industrial organisation specialized in the Evaluation and Refining of precious metals of both primary and secondary origin. Gold doré bars are shipped to Metalor via secured surface transportation and sale proceeds are then submitted by wire transfer to the account of Granmin S.A. de C.V. ("Granmin Mexico"), the Company's Mexican operating company.

Auramet is a physical precious metals merchant involved in buying and selling metals. When gold doré bars are shipped to Metalor, they can be sold with Auramet's trading desk once they reach the facility. Sale proceeds are then submitted by wire transfer to the account of Granmin Mexico. Title to the gold transfers to Auramet at the time payment is made and the Company records the sale at this time. A 3% royalty, net of certain deductible operating costs, is due to Treasury Metals Inc. upon the outturn and ultimate sale of the precious metals payable on a monthly basis.

Cyclicality and Seasonality

The cyclicality of the business reflects the global supply and demand outlook for gold, which in turn is influenced by diverse factors, U.S. currency valuations, derivatives market activity, interest rate and inflation forecasts, and other factors discussed further in the "Risk Factors" section of this Annual Information Form. Seasonality does not have a pronounced impact on the Company's business, as the Cerro Colorado Mine operates year round and is not subject to any significant maintenance shut-downs or weather-related seasonality.

Competitive Conditions

The precious metals exploration and mining industry is extremely competitive and the Company competes with other mining companies for precious metals properties, for joint venture partners and opportunities and for the acquisition of investments in other mining companies.

Environmental Protection

The current and future operations of the Company, including development activities on its properties, are subject to laws and regulations and best practice principles governing exploration, development, waste disposal, greenhouse gas emissions, protection and remediation of environment, reclamation, hazardous substances and other matters. Compliance with such laws and regulations increases the costs of and delays planning, designing, drilling and developing the Company's properties. The Company plans to diligently attempt to apply technically proven and economically feasible measures to advance protection of the environment throughout the exploration and development process. Current costs associated with compliance are considered normal.

Foreign Operations

The Company's activities are carried out exclusively in Mexico, and as such, the Company's operations may be affected by possible political or economic instability and government regulations relating to the mining industry and foreign investors therein. Mineral exploration and mining activities may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, maintenance of property, environmental legislation, land use, land claims of local people, water use and property safety. The effect of these factors on the Company cannot be accurately predicted.

Employees

Due to the particulars of Mexican law, it is common for operating companies to employ their workers through a management company. The employees of Granmin Mexico are employed by Pabelini, S.A. de C.V. ("Pabelini"), a company owned by the former spouse of the CEO. Under a renewed agreement, dated June 1 ,2011 and expiring May 31, 2014, between Granmin Mexico and Pabelini, Pabelini pays all of the Cerro Colorado mine employees and Granmin Mexico administrative personnel and is reimbursed by Granmin Mexico. Pabelini charges a fee equal to 5% of the base salaries of the employees, before additions for statutory remittances. This fee in the amount of $153,639 (May 1, 2010 to December 31, 2010 - $86,510) is meant to reimburse Pabelini for its office costs and administrative overhead costs incurred in managing the payroll and making all required remittances to the Mexican government in association with salaries of such employees. The excess of this fee over these administrative costs provides for a profit margin. As at December 31, 2011, amounts owing from (to) Pabelini totalled $17,894 (2010 - $(216,698)).

In addition to Pabelini, a number of expatriate workers and Caballo Blanco employees, including the Company's CEO, are employed by MINOP, S.A. de C.V. ("Minop"). Minop is a private company controlled by the former step-son of the CEO. Under a renewed agreement, dated October 1, 2011 and expiring September 30, 2014, Minop charges a service fee equal to 1.5% of base salary for employees earning greater than $100,000 per year and 3% for employees earning less than $100,000 base salary per year. The fee in the amount of $79,333 (May 1, 2010 to December 31, 2010 - $37,783) is meant to reimburse Minop for administrative costs incurred by the company in providing these services. As at December 31, 2011, amounts owing from Minop totalled $27,261 (2010 - $17,801).

Goldgroup employs nine employees at its head office in Vancouver, British Columbia. The payroll management companies employ approximately 275 employees in Mexico.

Social and Environmental Policies

The Company has adopted a Code of Business Conduct and Ethics that states that where possible, the Company will strive to prevent or otherwise minimize, mitigate and remediate any negative impact on the environment as a result of its operations. The Code of Business Conduct & Ethics also provides that the directors, officers and employees of the Company will do their best to accommodate the different cultures, lifestyles, heritage and preferences of the communities in which the Company operates in. In June 2011, the Company approved and adopted The Environmental and Safety Policy. A complete copy of the Company's Environmental and Safety Policy can be viewed on the Company's website located at www.goldgroupmining.com.

4.2 RISK FACTORS

Exploration, development and mining of metals involve numerous inherent risks. As such, the Company is subject to various financial, operational and political risks that could have a significant impact on its profitability and levels of operating cash flows. Such risk factors could materially affect the value of the Company's assets and future operating results of the Company and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

An investment in the securities of the Company should be considered speculative due, generally, to the nature of the business in which the Company is engaged, the limited extent of the Company's assets, the Company's state of development and the degree of its reliance upon the expertise of management. Specifically, in evaluating an investment in any of the Company's securities the following risk factors should be given special consideration:

Goldgroup's expected operating costs and expenditures, economic returns and other projections from a mining project which are contained in this document and in any technical reports or other studies prepared for or by Goldgroup are based on assumed or estimated future metals prices, cut-off grades, operating costs, capital costs, and expenditures and other factors that each may prove to be inaccurate. Therefore, such studies and reports may prove to be unreliable.

For example, significant declines in market prices for base and precious metals or extended periods of inflation would have an adverse effect on any economic projections. In addition, any material reductions in estimates of mineralization or increases in capital costs and expenditures, or in Goldgroup's ability to maintain a projected budget or renew a particular mining permit, could also have a material adverse effect on projected production schedules and economic returns, as well as on Goldgroup's overall results of operations or financial condition. There is also a risk that rising costs for labour and material could have an adverse impact on forecasted construction costs and that shortages of labour and material could have a negative impact on any mine development schedule.

Goldgroup's operating costs are affected by the cost of commodities and goods such as steel, fuel, electrical power and supplies, including tires and reagents. Management of Goldgroup prepares its cost and production guidance and other forecasts based on its review of current and estimated future costs, and management assumes that the materials and supplies required for operations will be available for purchase. An increase in any of these costs, or a lack of availability of commodities and goods, may have an adverse impact on Goldgroup's financial condition.

Uncertainties and risks relating to the development of Goldgroup's projects

Goldgroup is subject to inherent uncertainties and risks related to the development and potential construction of its projects the principal of which include:

- hiring of key personnel for the construction and commissioning;
- availability and delivery of critical equipment on time;
- delays associated with contractors;
- budget overruns due to changes in the cost of fuel, power, materials and supplies;
- securing rights of passage for a water pipe line; and
- potential opposition from non-governmental organizations, environmental groups or local groups which may delay or prevent activities.

It is common in new mining operations to experience such unexpected costs, problems and delays during construction, development and mine start-up. In addition, delays in the commencement of mineral production often occur. Accordingly, we cannot provide assurance that our activities will result in profitable mining operations at Goldgroup's projects.

Calculations of mineral resources are estimates and are subject to uncertainty

The Company's calculations of mineral resources are estimates and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be inaccurate. Actual recoveries of gold from mineralized material may be lower than those indicated by test work. Any material change in the quantity of mineralization, grade or stripping ratio, may affect the economic viability of the Company's properties.

In addition, there can be no assurance that metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Notwithstanding pilot plant tests for metallurgy and other factors, there remains the possibility that the ore may not react in commercial production in the same manner as it did in testing. Mining and metallurgy are inexact sciences and, accordingly, there always remains an element of risk that a mine may not prove to be commercially viable.

Until a deposit is actually mined and processed, the quantity of mineral resources and grades must be considered as estimates only. In addition, the quantity of mineral resources may vary depending on, among other things, metal prices, cut-off grades and operating costs. Any material change in quantity of mineral resources or grade may affect the economic viability of the Company's mining projects.

There is currently no economic analysis and no mineral reserve estimate for the Cerro Colorado Mine

The Company does not currently have a NI 43-101 compliant economic analysis for the Cerro Colorado Mine. The Cerro Colorado NI 43-101 Report was amended on February 28, 2011 and does not contain an economic analysis for the Cerro Colorado Mine and no mineral reserves have been estimated. Therefore, there can be no assurance that further exploration around, and planned expansion, of the Cerro Colorado Mine will result in economically mineable reserves, increased production or recovery of the capital costs of expansion. Further, as there are no estimated mineral reserves, there can be no assurance of continued economic production. Reduced or halted production could adversely affect the Company as the Cerro Colorado mine is its sole current source of revenue.

Exploration at Cerro Colorado may not be successful

There is no assurance that the Company's current or future exploration programs near the Cerro Colorado Mine will result in any new economically viable mining operations or yield mineral reserves. While historically the mine has been economically productive, there can be no assurance that new mineral resources, if any, can be mined profitably. Ultimately, economic factors beyond the control of the Company may result in the mine being unable to operate at a profit.

Further regulatory approvals and permits which may be required for any expansion of the mine may not be obtained. The Company's estimates of the costs of completing the expansion project and of operating the mine are subject to many uncertainties which may cause such costs to be higher than those the Company has anticipated. In such event, the Company may need to obtain additional capital to pursue its business plan with respect to the Cerro Colorado Mine.

General economic conditions may adversely affect our growth and profitability

Recent events in global financial markets have had a profound impact on the global economy. Many industries, including the precious and base metals mining industry, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect Goldgroup's growth and profitability.

Goldgroup may need additional capital to finance other acquisitions. If Goldgroup obtains further debt financing, it will be exposed to the risk of leverage and its operations could become subject to restrictive loan and lease covenants and undertakings. If Goldgroup obtains equity financing, existing shareholders may suffer dilution. There can be no assurance that Goldgroup would be successful in overcoming these risks or any other problems encountered in connection with such financings.

Changes in the market price of gold and other metals, which in the past have fluctuated widely, could negatively affect the profitability of the Company's operations and financial condition

The commercial viability of the Company's properties is dependent on, among other things, the market price of gold and other base and precious metals. Depending on the price to be received for any minerals produced, the Company may determine that it is impractical to develop the Caballo Blanco Project or the San José de Gracia Property or to continue commercial production at the Cerro Colorado Mine. A reduction in the market price of gold and other base and precious metals may prevent the Company's properties from being economically mined or result in the write-off of assets whose value is impaired as a result of low metals prices.

The market price of gold and other base and precious metals is volatile and is impacted by numerous factors beyond the Company's control, including, among others:

- international economic and political conditions;
- expectations of inflation or deflation;
- national currency exchange rates;
- interest rates;
- global or regional consumptive patterns;
- speculative activities;
- levels of supply and demand;
- increased production due to new mine developments;
- decreased production due to mine closures;
- improved mining and production methods;
- availability and costs of metal substitutes;
- metal stock levels maintained by producers and others; and
- inventory carrying costs.

The effect of these factors on the price of precious and base metals cannot be accurately predicted and there can be no assurance that the market price of these metals will remain at current levels or that such prices will improve. A decrease in the market price of gold and other base and precious metals could affect the Company's ability to finance the exploration and development of the Company's properties, which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Goldgroup may need to raise additional capital

Goldgroup may need to raise additional capital to fund future property option payments, acquisitions or joint ventures. Additional capital may not be available, at such times or in amounts, as needed. Even if capital is available, it might be on adverse terms. There can be no assurance that unforeseen developments or circumstances will not alter Goldgroup's requirements for capital. Any additional equity financing will be dilutive to Goldgroup's shareholders. If access to sufficient capital is not available as and when needed, Goldgroup's business may be impaired.

Goldgroup may experience difficulties with its jointly held property partners

The Company is subject to the risks normally associated with the conduct of jointly held property partners, which include disagreements with the Company's jointly held property partners on how to develop, operate and finance the Company's jointly held property activities, including San José de Gracia, and possible disputes with the Company's jointly held property partners regarding jointly held property developments and operations. These disagreements and disputes may have an adverse effect on the Company's ability to successfully pursue the development of the San José de Gracia Project, which could affect the Company's business, financial condition, results of operation and prospects.

There exists potential for conflicts with DynaUSA which is the other 50% equity owner of DynaMexico. Goldgroup currently appoints one of three members of the DynaMexico directors and appoints two of three members of DynaMexico's management committee, which oversees the expenditures and approves the budgets for such expenditures. The new board of DynaMexico will be comprised of five members with DynaUSA and Goldgroup each appointing two members and mutually agreeing on one additional member. The Chairman of DynaUSA is the current Chairman of DynaMexico. The Company is currently in the process of changing the structure of ownership and operations as a result of obtaining the 50% equity interest on March 10, 2011. The inherent structure of ownership and operations has the potential for conflicts that could materially affect operations of San José de Gracia.

There can be no guarantee that Goldgroup's title to its properties will not be challenged

Although Goldgroup has received or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. Goldgroup's properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by unidentified or unknown defects. Goldgroup has conducted as thorough an investigation as possible on the title of properties that it has acquired or will be acquiring to be certain that there are no other claims or agreements that could affect its title to the properties.

Goldgroup's operations are subject to political and country risk

Goldgroup conducts, or will conduct, exploration, development and production activity in Mexico. These operations are potentially subject to a number of political, social, economic and other risks. Goldgroup is not able to quantify the impact of political, social, economic or other risks on its future financial position, including:

- cancellation or renegotiation of contracts;
- changes in foreign laws or regulations;
- changes in tax laws;
- royalty and tax increases or claims by governmental entities;
- retroactive tax or royalty claims;
- expropriation or nationalization of property;
- inflation of costs that is not compensated by a currency devaluation;
- restrictions on the remittance of dividend and interest payments offshore;
- environmental controls and permitting;
- risks of loss due to civil strife, acts of war, guerrilla activities, insurrection and terrorism, and
- other risks arising out of foreign sovereignty over the areas in which Goldgroup's operations are conducted.

Such risks could potentially arise in any country in which Goldgroup operates. Furthermore, in the event of a dispute arising from such activities, Goldgroup may be subject to the exclusive jurisdiction of courts outside North America or may not be successful in subjecting persons to the jurisdiction of the courts in North America, which could adversely affect the outcome of a dispute.

Goldgroup is subject to government regulation

Operations, development and exploration on Goldgroup's properties are affected to varying degrees by political stability and government regulations relating to such matters as environmental protection, health, safety and labour, mining law reform, tax increases, maintenance of claims, tenure, and expropriation of property. There is no assurance that future changes in such regulations, if any, will not adversely affect Goldgroup's operations. The activities of Goldgroup require licenses and permits from various governmental authorities. While Goldgroup currently has been granted the requisite licenses and permits to enable it to carry on its existing business and operations, there can be no assurance that Goldgroup will be able to obtain all the necessary licenses and permits which may be required to carry out exploration, development and mining operations for its projects.

Goldgroup may not have adequate surface rights

Goldgroup may require additional surface rights to exploit the resources on its properties. Goldgroup may need to negotiate with private landowners for the additional surface rights it may require. Surface rights may also be regulated and restricted by applicable law. There is no assurance that Goldgroup will be able to obtain the required surface rights to allow it to develop its properties and establish commercial mining operations on a timely basis.

Environmental risks and other hazards

All phases of a company's mining operations are typically subject to environmental regulation in the various jurisdictions in which the Company operates. Environmental legislation in many countries is evolving and the trend has been toward stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and increasing responsibility for companies and their officers, directors and employees.

Compliance with environmental laws and regulations may require significant capital outlays on behalf of the Company and may cause material changes or delays in Goldgroup's intended activities. There can be no assurance that future changes in environmental regulations will not adversely affect Goldgroup's business, and it is possible that future changes in these laws or regulations could have a significant adverse impact on some portion of Goldgroup's business, causing Goldgroup to re-evaluate those activities at that time. Mining involves various other types of risks and hazards, including: industrial accidents; metallurgical and other processing problems; unusual or unexpected rock formations; structural cave-ins or slides; flooding; fires; metals losses; and periodic interruptions due to inclement or hazardous weather conditions.

These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury, delays in mining, increased production costs, monetary losses and possible legal liability. Goldgroup may be subject to liability for clean-up work. Goldgroup currently carries insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured include environmental pollution and mine flooding. Therefore, Goldgroup may suffer a material adverse impact on its business if it incurs losses related to any significant events that are not covered by its insurance policies.

Goldgroup depends on key management personnel and may not be able to attract and retain qualified personnel

Goldgroup is dependent on a number of key management personnel, including the services of certain key employees. Goldgroup's ability to manage its operations, exploration and development activities, and hence its success, will depend in large part on the ability to retain current personnel and attract and retain new personnel, including management, technical and unskilled workforce. The loss of the services of one or more key management personnel could have a material adverse effect on Goldgroup's ability to manage and expand its business.

Goldgroup may experience growth in its number of employees as a result of its growth strategy. This growth will place substantial demands on Goldgroup and its management. Goldgroup's ability to recruit and assimilate new personnel will be critical to its performance. Goldgroup will be required to recruit additional personnel and to train, motivate and manage its employees. The international mining industry is very active and Goldgroup is facing increased competition for personnel in all disciplines and areas of operation, and there can be no assurance that it will be able to retain current personnel and attract and retain new personnel.

Goldgroup faces operating hazards and risks relating to the Cerro Colorado Mine

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Hazards such as unusual or unexpected formations and other conditions can occur. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damages. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. Any compensation for such liabilities may have a material, adverse effect on the Company's financial position.

Goldgroup's directors and officers may have conflicts of interest

Certain of the directors and officers of Goldgroup also serve as directors and/or officers of other companies involved in natural resource exploration and development, and consequently there exists the possibility for such directors and officers to be in a position of conflict.

Goldgroup has not in recent years overseen the construction of a mining project

Goldgroup has not in recent years overseen the construction of a mining project. There are inherent risks related to the development of project infrastructure in mine construction relating to, among other things, construction supervision, cost estimating, obtaining required permits and approvals and the management of personnel. Goldgroup has recently hired personnel with experience on project management. Consequently, Goldgroup may be required to rely upon consultants, engineers and others for construction expertise in respect of its projects.

Goldgroup may experience problems integrating new acquisitions

The Company's success at completing future acquisitions will depend on a number of factors, including, but not limited to, identifying acquisitions that fit the Company's strategy, negotiating acceptable terms with the seller of the business or property to be acquired and obtaining approval from regulatory authorities in the jurisdictions of the business or property to be acquired. Any positive effect on the Company's results from the Company's acquisitions, will depend on a variety of factors, including, but not limited to, assimilating the operations of an acquired business or property in a timely and efficient manner, maintaining the Company's financial and strategic focus while integrating the acquired business or property, implementing uniform standards, controls, procedures and policies at the acquired business, as appropriate, and to the extent that the Company makes an acquisition outside of markets in which the Company has previously operated, conducting and managing operations in a new operating environment.

Competition

The mining industry is intensely competitive. Significant competition exists for the acquisition of properties producing or capable of producing gold or other metals. Goldgroup may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than Goldgroup. Goldgroup may also encounter increasing competition from other mining companies in its efforts to hire experienced mining professionals. Increased competition could adversely affect Goldgroup's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

Theft

The Company is required to store precious metals, including gold bars, in and around its operating mines prior to their transportation to a refinery. The value of precious metals makes them an attractive target for theft. Although the Company uses its best efforts to ensure that valuable assets are safely guarded and stored, there can be no assurance that such assets will not be the target of thefts in the future. Any theft of precious metals in the future could have a material adverse effect on Goldgroup's business, financial condition and operations. The Company made specific changes to its controls and procedures in light of incidents of theft in 2007 and made capital expenditures aimed at significantly increasing security measures. To date, the Company has not had any repeat instances other than one minor instance in 2010.

Goldgroup may be adversely affected by competition for water and by water shortages

Goldgroup's future operations require water, and its projects are located in regions where water is scarce. While Goldgroup believes it holds or will obtain sufficient water rights to support its future operations, future developments could limit the amount of water available to Goldgroup. New water development projects, or climatic conditions such as extended drought, could adversely affect Goldgroup. There can be no guarantee that Goldgroup will be successful in obtaining sufficient water rights.

Uninsured risks and inadequate insurance coverage

Goldgroup carries an industry standard level of insurance coverage but does not carry insurance to protect against certain risks. Risks not insured against in each case include environmental pollution, earthquake damage, mine flooding, or other hazards against which mining exploration corporations cannot insure or against which the Company may elect not to insure because of high premium costs or other reasons. Failure to have insurance coverage for any one or more of such risks or hazards could have a material adverse effect on the Company's business, financial condition and results of operations. Due to the age of the mobile equipment and plant equipment insurance coverage has not been purchased.

The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining and monetary losses and possible legal liability. Goldgroup's policies of insurance may not provide sufficient coverage for losses related to these or other risks. Goldgroup's insurance does not cover all risks that may result in loss or damage and may not be adequate to reimburse Goldgroup for all losses sustained. The occurrence of losses or damage not covered by insurance could have a material and adverse effect on Goldgroup's cash flows, results of operation and financial condition.

Legal proceedings

Goldgroup may become party to litigation or other adversary proceedings, with or without merit, in a number of jurisdictions. The cost of defending such claims may take away from management time and effort and if determined adversely to Goldgroup, may have a material and adverse effect on its cash flows, results of operation and financial condition.

Community relations and license to operate

The Company's relationship with the communities in which it operates are critical to ensure the future success of its existing operations and the construction and development of its projects. There is an increasing level of public concern worldwide relating to the perceived effect of mining activities on the environment and on communities impacted by such activities.

Certain non-governmental organizations ("NGOs"), some of which oppose globalization and resource development, are often vocal critics of the mining industry and its practices, including the use of cyanide and other hazardous substances in processing activities. Adverse publicity generated by such NGOs or others related to extractive industries generally, or Goldgroup's operations specifically, could have an adverse effect on the Company's reputation or financial condition and may impact its relationship with the communities in which it operates. While Goldgroup is committed to operating in a socially responsible manner, there is no guarantee that the Company's efforts in this respect will mitigate this potential risk. Goldgroup has implemented extensive community relations and security and safety initiatives to anticipate and manage social issues that may arise at its operations.

Outside contractor risks

It is common for certain aspects of mining operations, such as drilling and blasting, to be conducted by an outside contractor. Such operations are subject to a number of risks, including reduced control over the aspects of the operations that are the responsibility of the contractor, failure of the contractor to perform under its agreement with the Company, inability to replace the contractor if either party terminates the contract, interruption of operations in the event the contractor ceases operations due to insolvency or other unforeseen events, failure of the contractor to comply with applicable legal and regulatory requirements and the failure of the contractor to properly manage its workforce resulting in labour unrest or employment issues.

Risks related to archaeological sites

Certain of Goldgroup's projects and properties may be located on or near significant archaeological sites which could require Goldgroup to adjust its operations to minimize the impact on any such archaeological site. Goldgroup could potentially be found liable by applicable regulatory authorities if it were to damage any such archaeological sites.

Foreign currency risks

Goldgroup's operations in Mexico make it subject to foreign currency fluctuations. Goldgroup's operating expenses are primarily incurred in Mexican pesos, and the fluctuation of the Canadian dollar in relation to the Mexican peso will consequently have an impact upon the profitability of Goldgroup and may also affect the value of Goldgroup's assets and the amount of shareholders' equity.

Security and human rights

Civil disturbances and criminal activities such as trespass, illegal mining, theft and vandalism can cause disruptions at certain Goldgroup's operations. Affected sites have taken measures to protect their employees, property and production facilities from these risks. Certain sites have engaged armed security personnel and cameras in sensitive areas, such as main entrances. The measures that have been implemented by the Company will not guarantee that such incidents will not continue to occur and such incidents may halt or delay production, increase operating costs, result in harm to employees or trespassers, decrease operational efficiency, increase community tensions or result in criminal and/or civil liability for the Company or its employees and/or financial damages or penalties.

The manner in which the Company's personnel respond to civil disturbances and criminal activities can give rise to additional risks where those responses are not conducted in a manner that is consistent with international standards relating to the use of force and respect for human rights. Goldgroup has implemented a number of significant measures and safeguards which are intended to ensure that its personnel understand and uphold these standards. The implementation of these measures will not guarantee that the Company's personnel will uphold these standards in every instance. The failure to conduct security operations in accordance with these standards can result in harm to employees or community members, increase community tensions, reputational harm to Goldgroup and its partners or result in criminal and/or civil liability for the Company or its employees and/or financial damages or penalties.

Land reclamation and mine closure requirements may be burdensome and costly

Land reclamation and mine closure requirements are generally imposed on mining companies, such as the Company's, which require the Company, among other things, to minimize the effects of land disturbance. Such requirements may include controlling the discharge of potentially dangerous effluents from a site and restoring a site's landscape to its pre-exploration form.

The actual costs of reclamation and mine closure are uncertain and planned expenditures may differ from the actual expenditures required. Therefore, the amount that the Company is required to spend could be materially higher than current estimates. Any additional amounts required to be spent on reclamation and mine closure may have a material adverse effect on the Company's financial performance, financial position and results of operations and may cause the Company to alter the Company's operations. Although the Company includes liabilities for estimated reclamation and mine closure costs in the Company's financial statements, it may be necessary to spend more than what is projected to fund required reclamation and mine closure activities.

4.3 MINERAL PROJECTS

4.3.1 Caballo Blanco Project

Unless otherwise stated, information of a technical or scientific nature related to the Caballo Blanco Project contained in this annual information form is summarized or extracted from the technical report entitled "NI 43-101 Technical Report – Caballo Blanco Project, Resource Update at the La Paila Zone, Veracruz State, Mexico" dated February 10, 2012 and effective February 7, 2012 (the "Caballo Blanco Technical Report"), which is compliant with NI 43-101.

The Caballo Blanco Technical Report was prepared by J. Cuttle, P.Geo, and G. Giroux, P. Eng. of Giroux Consultants Ltd. For a complete description of assumptions, qualifications and procedures associated with the information in the Caballo Blanco Technical Report, reference should be made to the full text of the Caballo Blanco Technical Report, which is available under Goldgroup's profile on SEDAR. The authors of the Caballo Blanco Technical Report are "qualified persons" for the purposes of NI 43-101 and are independent of Goldgroup, within the meaning of NI 43-101.

Project Description and Location

The Caballo Blanco Project covers a horizontal surface area of 54,732.4120 hectares (547.32 square kilometres) and is centered next to the Gulf of Mexico at Longitude 96˚ 27' 30" W, Latitude 19˚ 40' 44" N, or 65 kilometres by paved road north northwest of the city of Veracruz in Veracruz State, Mexico.

As of February 7, 2012 the property comprised fourteen mining claims as described below.

	CLAIM NAME	TITLE #	RECORDED	HECTARES	COSTS - 2011
1	CABALLO BLANCO	216694	17-May-02	600.00	MXN 75,864.00
2	REDUCCION CABALLO BLANCO II	224414	04-May-05	504.8125	MXN 63,828.00
3	CABALLO BLANCO IV	218176	11-Oct-02	1,634.00	MXN 206,603.00
4	REDUCCION CABALLO BLANCO VI	224415	04-May-05	1,014.1711	MXN 64,136.00
5	CABALLO BLANCO VII	223282	23-Nov-04	231.7764	MXN 14,657.60
6	CABALLO BLANCO VIII (Div)	223360		48.4557	MXN 1532.17
7	REYNA NEGRA FRACCION 3	221374	03-Feb-04	1,061.7484	MXN 67,144.00
8	CABALLO BLANCO IX FRACCION 1 (Div)	Pending	Pending	7,409.0749	MXN 0
9	CABALLO BLANCO IX FRACCION 2	234277	10-Jun-09	663.1832	MXN 10.080.40
10	CABALLO BLANCO IX FRACCION 3	234278	10-Jun-09	233.3950	MXN 3,457.60
11	C.B.2	234324	12-Jun-09	244.0336	MXN 3,709.40
12	C.B.6	Pending	Pending	396.29	MXN0
13	C.B.11	236991	8-Oct-10	5,400.00	MXN 54,864.00
14	C.B.12 (Div)	237441	16-Dec-10	35,273.7841	MXN 363,158.63
	Totals			54,732.4120	MXN 929,124.80

Title to each of the above mineral claims is held by Minera Gavilán S.A. de C.V., a wholly-owned subsidiary of Almaden. Each of the mineral claims is currently in the process of being transferred from Minera Gavilán to Candymin S.A. de C.V., a wholly-owned subsidiary of Goldgroup Mining Inc. in connection the Goldgroup's recent acquisition of Almaden's remaining 30% interest in the project. As of the date of this report, information obtained from Goldgroup indicate the claims remain in good standing.

Under terms of the original share purchase agreement (the "Share Purchase Agreement") with NGEx, Goldgroup agreed to buy a 100% interest in Minera Cardel S.A de C.V., then a wholly owned subsidiary of NGEx. Minera Cardel held an option to acquire a 70% interest in the Caballo Blanco Project from a subsidiary of Almaden. The Share Purchase Agreement called for payments by Goldgroup to NGEx totalling CDN$15 million, comprised of staged cash payments totalling $6 million and nine million shares of Goldgroup at a deemed price of $1.00 per share.

Goldgroup completed its 70% earn-in on the project in March 2011. In October, 2011 Goldgroup completed the acquisition of the remaining 30% interest in the Caballo Blanco project held by Almaden. Goldgroup now owns 100% of the Caballo Blanco project. The aggregate consideration paid by Goldgroup to Almaden in connection with the transaction consisted of: US$2,500,000 in cash; 7,000,000 Goldgroup common shares at closing; the right to receive up to an additional 7,000,000 Goldgroup common shares upon the achievement of certain project milestones (1,000,000 common shares upon commencement of commercial production, 2,000,000 common shares upon measured and indicated resources, including cumulative production, reaching 2,000,000 ounces of gold, 2,000,000 common shares upon measured, indicated and inferred resources, including cumulative production, reaching 5,000,000 ounces of gold and 2,000,000 common shares upon measured, indicated and inferred resources, including cumulative production, reaching 10,000,000 ounces of gold); a 1.5% net smelter return royalty; and the transfer of the Company's 40% interest in the El Cobre property.

Since the last technical report in March, 2010 on Caballo Blanco, Goldgroup has purchased surface rights from eight land owners, signed rental agreements with five land owners and is in the process of buying or leasing four other land parcels. These areas lie within the Northern Zone area including La Paila.

Originally, NGEx, through its wholly owned subsidiary Minera Cardel had signed 'land entry' agreements with at least five private individuals that claim legal title to surface rights inside the Caballo Blanco claim block. These agreements include a yearly payment for access to their lands as well as additional compensation for any disturbance the company may cause from the Company's geological surveying, road building and/or drilling activity. Legal rights to these lands have not been verified by the authors however it is understood these agreements remain in good standing for the Goldgroup's ongoing exploration and development work during and beyond 2012.

There are no environmental liabilities known on the Caballo Blanco property.

Previous geological work on the project is confined to three general areas of interest, the Northern Zone, the Highway Zone and the Central Grid Zone. This work has involved minimal surface work including the building of small access roads and drill platforms. There are no known historical diggings or mining activities or any environmental liabilities other than issues described below. Permits are in place to support a surface drill program from current drill roads in the Northern Zone.

Several archaeological sites have been known or otherwise discovered during the recent geological work at the Caballo Blanco Project. The sites, which include old walls, wells, and flat hilltop excavations, are generally small but worthy of further study and classification. These areas have been reported to the Federal Mexican authorities and each is in the process of being studied and qualified for later classification. The author of the Caballo Blanco Technical Report does not believe these archaeological classifications will be at a level to severely impact future exploration work at the Caballo Blanco Project.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Veracruz is a major port and is well connected with daily flights to Mexico City and other national and international destinations. The property is reached by driving north from Veracruz to Villa Rica, using the Pan American Highway which transects the eastern portion of the claim block. From here a network of dirt roads access most of the current areas of interest. New drill roads have been constructed to support recent drill campaigns, particularly in the Northern Zone areas.

The nearest supply centre is Cardel, a town of 20,000 located approximately 30 kilometres south of the Caballo Blanco claim block. The town offers an abundant supply of mining personnel. On the north-eastern edge of the property sits Mexico's only nuclear power plant at Laguna Verde. Its location allows easy access to the Mexican electrical power grid. Water is relatively abundant in small creeks at elevations below 200 metres, throughout most of the year.

A well-organized field office and villa style accommodations house a small crew at the coastal community of Villa Rica. Many other villas are currently empty and likely available for rent. The topography is semi rugged with elevations from sea level up to 700 metres on the higher mountain tops. The climate is semi-tropical with a distinct rain season from June to November.

History

The first record of gold in the Caballo Blanco Project claim area dates to 1995 when Charlie Warren of Whitehorse, Yukon sampled a small quartz vein outcrop in a road cut along the Pan American Highway and staked several mineral claims covering what is known today as the Highway Zone. The property was subsequently optioned to Almaden in 1997, which staked additional claims to cover the areas known as the Central Grid Zone and Northern Zone. Almaden completed a variety of geophysical, geochemical and geological surveys and drilled 17 reverse circulation drill holes in the Central Grid Zone 'porphyry' target.

In 2001, Almaden optioned the project to Noranda Inc. ("Noranda") which drilled nine core holes in the Highway and Central Grid zones and returned the project to Almaden later that year.

In December 2002, Almaden signed a joint-venture agreement with Comaplex Corp., ("Comaplex") proposing to spend $2,000,000 over four years to explore the Caballo Blanco Project claims. Comaplex carried out a variety of geological work throughout the property, targeting at the Central Grid Zone, the Highway Zone and the Northern Zone. From 2004 through 2006 Complex drilled ten core holes and in 2005 discovered wide low grade gold mineralization at La Paila in the Northern Zone. Comaplex completed the required expenditures of the joint venture agreement and went on to earn a 60% interest in the property. In February, 2007, Almaden purchased Comaplex's 60% interest for a cash payment of $1,250,000.

In April, 2007 Almaden optioned the Caballo Blanco Project to Canadian Gold Hunter Corp. ("Canadian Gold Hunter") which in turn completed a variety of surveys and additional drilling in the Northern Zone and Central Grid areas under its Mexican subsidiary, Mineral Cardel. From 2007 to 2009, 42 core holes were drilled, with at least 30 holes targeting the new gold area at La Paila discovered by Comaplex in 2005.

In September 2009, Canadian Gold Hunter Corp changed its name to NGEx and later in November signed a share purchase agreement allowing Goldgroup Resources to earn a 70% interest in the Caballo Blanco project.

Pursuant to a memorandum of agreement among Almaden, the Company and NGEx dated February 5, 2010, the area defined in the table above was transferred to a new entity owned 60% by Almaden and 40% by the Company.

On October 14, 2011 the Company acquired the remaining 30% interest in the Caballo Blanco project held previously by Almaden. Goldgroup now owns 100% of the Caballo Blanco project. The total consideration paid, including contingent share consideration paid, by Goldgroup to Almaden in connection with the transaction consisted of:

- $2.5 million in cash
- 7 million Goldgroup common shares at closing
- a requirement to issue up to an additional 7 million Goldgroup common shares upon the achievement of certain Project milestones:
  - 1 million common shares upon commencement of commercial production
  - 2 million common shares upon measured and indicated resources, including cumulative production, reaching 2 million ounces of gold
  - 2 million common shares upon measured, indicated and inferred resources, including cumulative production, reaching 5 million ounces of gold
  - 2 million common shares upon measured, indicated and inferred resources, including cumulative production, reaching 10 million ounces of gold
- a 1.5% net smelter return royalty
- transfer of the Company's 40% interest in the El Cobre property

In addition, the Company paid $650,000 to the original royalty holder of the property for his 0.4% NSR royalty. The total net smelter return ("NSR") royalty payable on this project upon production will be 2.95%.

Geological Setting

The Caballo Blanco Project is located at the intersection of the Trans-Mexican Volcanic Belt (at its eastern extremity) and the NNW-SSE trending Eastern Alkaline Province. Regionally the area is located over a tectonic high known as the Teziutlan Massif, which has a Paleozoic (metamorphic–intrusive–metasedimentary) basement. This massif divides the Tampico–Misantla Basin and the Veracruz Basin, respectively to the north and south. Such basement underlies marine Mesozoic rocks.

The Trans-Mexican Volcanic Belt ("TMVB") has been defined as a continental magmatic arc formed by more than 8,000 volcanic edifices and a few intrusive bodies that extends from the Pacific to the Gulf coast in Central Mexico (1,000 km long and up to 230 km wide), with a general E-W orientation. The TMVB is controlled by a complex extensional tectonic regime, whose volcanic products are underlain by basements with widely different ages, compositions and thicknesses. Calc-alkaline and alkaline rocks are distributed all along the TMVB; however alkaline rocks (Na-K) tend to be more abundant at both the west and east ends of the TMVB.

The evolution of the TMVB is considered to be related to the reorientation of the magmatic arc and directly associated with the change in the general composition from felsic (Sierra Madre Occidental) to intermediate and mafic. This change has been considered as being related to the re-organization of the subduction system associated with large-scale tectonism during the early Miocene. In the middle Miocene (17-12 Ma), the volcanic arc extended to the east, to the coast of the Gulf of Mexico. The Eastern Alkaline Province (EAP) was considered as an independent Cenozoic magmatic province with alkaline rocks, related to extensional faulting parallel to the Gulf of Mexico coast, extending from the state of Tamaulipas in the north southward to the Los Tuxtlas Range in the State of Veracruz. Originally, the EAP was interpreted as a progressively southward migration of alkaline volcanism from the Oligocene-Eocene in Tamaulipas to the Quaternary in Los Tuxtlas. However, based on recent data (dating and geochemistry), such kind of migration model is not likely nor is the mafic volcanism in Tamaulipas considered to be directly linked to magmatism in the Caballo Blanco Project.

Based on new data, the volcanism near the Caballo Blanco Project area is more likely linked to the evolution of the TMVB thanks to intra-plate tectonism of the EAP. Several geological episodes have been distinguished during the time evolution of the TMVB.

The Caballo Blanco Project lies at the eastern end of the TMVB and is underlain by sub-aerial basalts, andesites and diorite dykes of Miocene age that are in turn covered by a sequence of felsic quartz tuffs, andesitic 'dome' complexes, volcanoclastics and younger intrusive dacitic plugs. Capping the volcanic package are Pliocene alkaline basalt flows that are commonly well preserved as small flat highland plateaus.

At least two large areas of epithermal precious metal occur within the current Caballo Blanco Project, referred to as the Northern Zone and Highway Zone. Mineralization is confined to altered varieties of upper Miocene andesitic domes and dacitic intrusives.

Northern Zone: Geological mapping, rock chip sampling, geophysical surveying and core drilling have identified a large area of silica and associated silica clay alteration within an andesitic dome complex along the northern portion of the project. Altered feldspar andesites that host gold mineralization are spread over an area of 5kms by 4kms and occur in close association to a prominent magnetic ring structure with at least five prominent silica caps forming distinct 600 metre high hilltops. Rock exposures in these areas include mixtures and overprints of classic vuggy, brecciated and or massive silica with associated and flanking haloes of advanced argillic to argillic alteration. These diverse clay alteration zones have been identified and mapped in part using a TerraSpec spectrometre. Drill testing at three of these 'silica cap' features, La Paila, Bandera and La Cruz, suggest that acid leaching from hydrothermal fluids extend to depths of over 300 metres. The Red Valley target lies at lower elevations on the outside fringe of the circular ring feature and has been identified with soil geochemistry.

Gold mineralization at La Paila is very fine and occurs within vuggy and brecciated silica alteration of the original andesitic flows and domes. The ore is clean and has little if any mercury, or arsenic signatures. Drill core intervals contain significant gold mineralization with assays up to 2.19 g/t Au over 89.91 metres.

Highway Zone: This area is roughly 3kms by 4kms in size and is located along the eastern edge of the Caballo Blanco Project where road cuts for the Pan American Highway first exposed strong argillic alteration and small quartz veins that form part of the original discovery in 1995. Alteration of the local dacitic tuffs and volcaniclastic host rock is very similar to the Northern Zone, located approximately 10 kilometres to the north northwest. Various geophysical and geochemical surveys suggest that high resistivity anomalies combined with extensive silica and silica-clay alteration coincide with the inner 'haloes' of a high-sulphidation epithermal system.

Several areas of vuggy silica alteration have been identified by geophysical and geological means in the southern area of the Highway Zone however the area is large and remains a valid exploration target for the future. Encouraging drill core assays from a hole collared in 'flanking' clay alteration zones intersected several gold bearing zones grading up to 1.42 g/t Au over 6 metres at the bottom of the hole. Examples like these and other isolated resistivity anomalies approximately two kilometres to the north of this drilling suggest significant potential remains open for additional work.

Exploration

Work on the original Caballo Blanco Project had outlined at least three large areas of interest since the initial discovery of gold at the Highway Zone in 1995. In the north and central part of the property, two large areas of high-sulphidation epithermal alteration have been discovered, locally named the Northern Zone (4kms by 5kms in area) and the Highway Zone (4kms by 2kms in area). In the southwest of the property and currently not part of Goldgroup's claim holdings, the Central Grid area hosts what appear to be at least two porphyry copper-gold prospects (Pedrero, Porvenir). These two porphyry prospects likely formed similar 'high level' argillic and silicic haloes and caps to the Northern and Highway zones. The degree of erosion here is deeper, and likely reveals the underlying porphyry intrusive plugs with stock-work copper-gold mineralization and associated alteration in the host rock.

From 1995 to 2005 Almaden, Noranda and Comaplex Minerals (all through Minera Gavilán) conducted a variety of surveys including an airborne magnetic/radiometric survey in 1997 (by Aerodat) ,extensive geochemical soil and rock sampling, induced polarization resistivity and chargeability (by Marc Beaupre Geophysics) and detailed geological mapping surveys (in house consultants). Follow up on anomalies developed from these surveys led to the drilling of 34 holes (6446 metres) in all three areas described above. Contractors for this drilling were Minera Gavilán and Energold de Mexico.

More recently from 2006 to 2009 Canadian Gold Hunter through Minera Cardel completed an aerial photographic survey on the northern two thirds of the Caballo Blanco property and during 2008, the geophysics department of the Servicio Geológico de Mexico (SGM) completed a helicopter-borne magnetic and radiometric survey (60-metre instrument terrain clearance) over the northern half of the property. The survey overlapped by three kilometres an earlier airborne magnetic, and radiometric survey completed by Aerodat over the southern half of the claims from 1997. Minera Cardel continued to collect soil and rock samples and also improve upon previous geological mapping that now covers most of the property area.

New road construction was completed to gain access to Cerro La Paila as well as the northern portion of the Central Grid Zone to support on-going ground surveys and drilling and up-grading old roads to access El Porvenir area. Minera Cardel drilled a total of 42 core holes, concentrating primarily on testing for epithermal gold mineralization at La Paila, Bandera and La Cruz areas in the Northern Zone as well as testing for porphyry mineralization twelve kilometres to the southwest at Pedrero and Porvenir areas in the Central Grid Zone. Drill contractors included Minera Gavilán, Energold de Mexico and Major Drilling de Mexico.

Since the last technical report by Cuttle and Giroux in March, 2010 Goldgroup has drilled an additional 142 holes (19 RC, 123 core), including holes 10CBRC-43 through 11CBN-184. The Company has also completed detailed 3 dimensional induced polarization (IP) surveys as infill and extensions to previous surveys previously completed by Almaden and Comaplex Minerals and at the time of this report has driven a 123 metre long 3m by 3m underground access route into the north central portion of the La Paila mineralized body.

Mineralization

In the Northern Zone and Highway Zone, gold mineralization is associated with vuggy silica breccia surrounded by large and distinct haloes of various mixtures of clay alteration including alunite, dickite, and pyrophylite. The elongate and silicified gold rich mineralization at La Paila likely formed from fluid rising along a north trending fault structure well above a deeper intrusive ‘heat source’. Similar silica and clay alteration zones and or soil anomalies have been recognized at La Cruz, Red Valley and Highway Zone, all of which lie along a north-south linear trend greater than nine kilometres in length.

The Caballo Blanco Project includes at least two distinct deposit types, defined as high-sulphidation epithermal gold and porphyry copper gold. In the Northern Zone and Highway Zone, gold mineralization is associated with vuggy silica breccia surrounded by large and distinct haloes of various types of clay alteration. The elongate and silicified gold rich mineralization at La Paila likely formed from fluid rising along a north trending fault structure well above a deeper intrusive ‘heat source’. Similar silica and clay alteration zones and or soil anomalies have been recognized at La Cruz, Red Valley and Highway Zone, all of which lie along a north-south linear trend greater than nine kilometres in length.

Drill core at the Central Grid Zone shows that the Provenir and Pedrero porphyry copper prospects are located on dioritic and monzodioritic stocks surrounded by andesitic and basaltic country rocks. These two prospects likely formed similar argillic haloes to the La Paila gold zone however the level of erosion here is much deeper, and currently reveals the underlying porphyry plugs and associated potassic alteration in the host rock.

Drilling

One hundred and eighty one core holes and thirty six reverse circulation holes have been drilled since the discovery of gold at the Caballo Blanco Project (Northern Zone and Highway Zone). This includes the neighbouring Central Grid Zone which is part of the El Cobre project sold by Goldgroup to Almaden.

Due to small open cavities and intense alteration and oxidation to at least 300 metres, drilling has been at times problematic and consequently several drill holes were either lost or never attained their projected depths. However, drill core recovery is generally good (80%+) and the authors believe that the many methods of collecting and presenting the historical data obtained by various companies since 1995 have been thorough and of high calibre.

Previous drill testing throughout the Caballo Blanco Project has identified many areas with gold mineralization, however the La Paila prospect in the Northern Zone, among other areas, is considered the most significant area of gold mineralization found to date and is detailed below.

Pre-2010 Drilling – La Paila

Besides the mineralized rock chip samples and extensive alteration assemblages found on the top and along the upper slopes of Cerro La Paila, the first real significant gold mineralization associated with this alteration was intersected in drill hole CB05-03 by Comaplex Minerals in 2005. The discovery hole cut 58 metres grading 1.772 g/t Au and is located at relatively shallow depths along the north end of an irregular northerly trending body of vuggy silica breccia.

Holes were drilled, targeting the extents of the low-grade bulk mineable gold at La Paila. These drill holes were collared along 50 metre and 100 metre sections extending over a horizontal distance of 800 metre to the north, 280 metres east and extend to vertical depths of 200 metres above sea level. The principal unit hosting the gold mineralization outcrops at surface in the north end of the property and may plunge gently to the south. It is not clear however if this perceived plunge of the gold zone at La Paila is the direct result of local block faulting or subject to insufficient drill data. True widths were not calculated for any composites at Caballo Blanco.

Goldgroup drilling - 2010/2011

In 2010/2011 Goldgroup targeted seven specific areas within the Northern Zone of the Caballo Blanco Project. The Caballo Blanco Technical Report includes maps that locate and identify 142 holes new holes (10CBRC-43 to 11CBN-184). Three additional holes were drilled at La Paila (11CBN-185 to 187), however assays for these holes as well as holes 11CBN-179 to 11CBN-181 and 11CBN-183 had not been received and are not included in resource estimations by Giroux at the time of writing Caballo Blanco Technical Report.

The 2010/2011 drill program commenced with a reverse circulation percussion rig contracted from Layne Drilling in Hermosillo. Hard abrasive conditions and intense fracturing encountered in the siliceous alteration lead to very poor sample recoveries of less than 50%, in the mineralised assemblage. The reverse circulation program was abandoned after 19 holes due to the poor recoveries and the inability to complete holes to their target depths because of the difficult drilling conditions.

The program was changed to all diamond core with two rigs, one supplied by Corebeil and the other by Landdrill. As the program progressed another rig was added by Corebeil and two more by Landdrill bringing the total to 5 machines in July of 2011, for the remainder of the program. All of the original 14 reverse circulation holes drilled at La Paila were later twinned with diamond core and table of comparative results is shown in the table below. None of the reverse circulation drill holes have been included in the resource estimation.

All diamond drill holes were collared with either PQ or HQ size rods and reduced from there to HQ or NQ as drilling conditions dictated. The majority of the core is HQ size. A total of 117 core holes were completed at La Paila (10 CBN 54, 61 and 11 CBN 68-88, 90, 91, 93-102, 104, 105 and 107-184). All drill holes were surveyed using a Reflex EZ shot.

The 2010/2011 drill program continued to identify the extents of the low-grade bulk mineable gold at La Paila and other areas in the Northern Zone The drill holes at La Paila were collared along 50 metre and 100 metre sections extending over a horizontal distance of 900 metres to the north, 380 metres east and extend to vertical depths of close to100 metres above sea level.

A variety of geophysical, geochemical and geological surveys continue to be extremely useful in identifying drill targets in and around the Northern Zone; most importantly airborne magnetic, IP resistivity high anomalies, clay alteration haloes identified by a TerraSpec® spectrometer, location of mineralized surface rock geochemistry and detailed geological and structural mapping. These surveys have not only been used successfully to outline a classic zonation of clay minerals representative of a large epithermal system but they have most importantly been useful in defining zones of silica flooding and associated gold mineralization. These surveys should remain principle exploration tools for future work at Caballo Blanco.

Sampling and Analysis

Prior to Goldgroup drill 2010/2011, at least four different Companies have completed drill programs at Caballo Blanco. Early reverse circulation drilling by Almaden (through Minera Gavilán S.A de C.V.) in 1998 concentrated on the Central Zone 'Porphyry' target, and in 2002, Noranda and Almaden drilled nine holes in the Central Grid and Highway Zones. More recently, Comaplex Minerals and Canadian Gold Hunter (through Minera Cardel) completed an additional fifty two core holes, principally targeting the Northern Zone area at or near La Paila and to a lesser extent at the Central Grid and Highway Zones in the central and southern part of the claims.

Sampling methods used by Canadian Gold Hunter (Minera Cardel) geologists on 32 of the 38 drill holes in the Northern Zone are described in the following paragraph. Sampling methods by Comaplex for the other six holes in the Northern Zone are unknown at this time; however check assays by Minera Cardel on mineralized core intercepts from three of these core holes suggest no significant differences in assay results.

As part of Goldgroup's 2009 due diligence work at the Caballo Blanco Project, Goldgroup cut eight samples from previously split drill core from the La Paila Zone. These samples were taken to represent different ore characteristics from low grade (<0.5 g/t Au), to medium grade (0.5 to 1.5 g/t Au) and high grade material (>1.5g/t Au).

The samples were crushed to -1/2 inch and were leached for 144 hours by standard 'bottle roll' with cyanide solutions at Goldgroup's in-house facility. Results show that the five samples with head grades below 1 gram gold gave high recoveries within 24 to 48 hours, while three samples above 1 gram gold gave slower recovery after the 144 hours. The three higher grade samples were then crushed to -1/4 inch and run for a further 48 hours improving their recoveries to 74.5%, 89% and 91%. Recoveries for the low grade material were close to 100%. These initial bottle rolls indicate that the ore is highly amenable to leaching. The gold ore is totally oxidised to at least 300 metres depth and is benign in leaching since there appears to be no other minerals or deleterious materials present. This indicates low reagent consumption in the commercial heap leach process. The initial 'bottle roll' test work described in this section for La Paila is preliminary in nature and may not be representative of true recoveries obtained in the future.

Sample Preparation and Analysis - 2009

The core samples were sent to ALS Chemex preparation Lab in Guadalajara, Mexico where they were dried and crushed to minus 150 mesh and the pulps were then air couriered to ALS Chemex Laboratories in North Vancouver, BC, Canada (ISO 17025 accredited). Each were then dissolved in an aqua regia leach and analyzed for gold by fire assay methods and 35 other trace elements by ICP – MS methods (inductively coupled plasma with mass spectroscopy).

Quality Assurance - Quality Control (QA-QC) - 2009

The three different standard reference materials used in this drilling campaign were purchased from CDN Resource Laboratories Ltd. in Vancouver, Canada by Minera Cardel. Control charts suggest most all of the assay data on these three different standards fall within two standard deviation of the norm. Specific outliers exist just outside 2SD, however these are not considered influential to the overall data package.

- Standard P1 - 6% or 3 samples out of 49 – above / below 2SD
- Standard 3C – 4% or 2 samples out of 48 – above / below 2SD
- Standard P7A – 4% or 2 samples out of 46 – above / below 2SD

Source material for the 48 blanks inserted into the assays in the Northern Zone comes from two locations. Inserts into assay shipments for drill holes CB06-01 to CB-06-03 and 07CBN-01 to 08CBN-05 used local blank gravel and inserts for holes 08CBN-06 to 09CBN-042 used previously drilled core from barren andesite in the Northern Zone. Exact location and the average reference analysis of the barren andesite inserts and local gravels are unknown; however assay data on the blanks generally vary from minimum detection of less than 5 parts per billion gold (ppb) to 44ppb gold with 3 samples above two standard deviation of 31ppb gold. The authors do not considered these outliers to be problematic.

Although three outlier samples from 141 duplicates show abnormal results, the duplicate assaying program reflects an acceptable degree of correlation. The author believes sample preparation, security and general analytical procedures to be adequate for the core drilling at Caballo Blanco. A list of relevant composite intervals from core drilling at La Paila is itemized in Appendix V. True widths were unknown.

Sample Preparation and Analysis - 2010/1011

During the 2010/2011 drilling campaign conducted by Goldgroup samples of half core and riffle split reverse circulation percussion chips from drill holes 10CBRC42 to 11CBN113 were collected from site by Inspectorate and taken to their Durango preparation facility where they were dried, crushed and a 250g split was pulverised to -75 microns. The rejects were returned to site while the pulps were air couriered to Inspectorate's Richmond, BC, Canada facility and analyzed for gold by fire assay with Atomic Absorption ("AA") finish. In addition, a 30 element Inductively Coupled Plasma ("ICP") analysis (aqua regia digest) was conducted on all samples.

Samples of half core from drill holes 11CBN114 to 11CBN184 were collected from site by ALS Global and taken to their Guadalajara preparation facility where they were dried, crushed and a 250g split was pulverised to -75 microns. The rejects were returned to site while the pulps were air couriered to their Vancouver facility and analysed for gold by fire assay with AAS finish. In addition, a 35 element ICP analysis was conducted on all samples.

Quality Assurance - Quality Control (QA-QC) - 2010/2011

The three different standard reference materials used in this drilling campaign were prepared by CDN Resource Laboratories Ltd. in Vancouver, Canada from mineralised material from the La Paila deposit supplied by Minera Cardel. Control charts suggest most all of the assay data on these three different standards fall within two standard deviation of the norm. Specific outliers exist outside 2SD, however these are not considered influential to the overall data package.

- Standard GS-1E - 2% or 3 samples out of 163 – above / below 2SD
- Standard GS-P8 – 2% or 3 samples out of 161 – above / below 2SD
- Standard CGH-1 –1% or 2 samples out of 167 – above / below 2SD

One standard, one blank or one duplicate was inserted per group of 10 samples sent to the laboratory.

Security of Samples

Sample Security - 2009

A variety of HQ, NQ and / or BQ size drill core was delivered daily from the drill rig to the Company's on-site core logging and storage facility near the small community of Arroyo Agrio in the north-eastern part of the claim block. Geotechnical and geological data was then recorded by company geologists, including recovery, specific gravity, rock quality designation (RQD), alteration defined by spectrometer readings and specific geological rock type. Core samples were selected and marked by the same geologists, with company technicians later using a diamond saw to half the core and secure each half sample with self locking clips. Sample lengths varied generally from 1 to 3 metres long and up to 6 metres in length and were chosen primarily along on recognized alteration or lithological boundaries. Three different standard reference samples, as well as locally derived 'blank' material and core duplicates were inserted into each lab shipment in regular frequency; generally a different standard reference material every 20 samples, a blank every 80 samples and core duplicates every 20 to 30 samples. A complete library of split core remains protected inside a fenced compound near the small village of Arroyo Agrio.

Sample Security - 2010/2011

A variety of HQ and/or NQ size drill core was delivered daily from the drill rig to the Company's on-site core logging and storage facility near the small community of Arroyo Agrio in the north-eastern part of the claim block. Geotechnical and geological data was then recorded by company geologists, including recovery, specific gravity, rock quality designation (RQD), alteration defined by spectrometer readings and specific geological rock type.

Core samples were selected and marked by the same geologists, with company technicians later using a diamond saw to half the core and secure each half sample with self locking clips. Sample lengths varied generally from 1 to 3 metres long and up to 6 metres in length and were chosen primarily along on recognized alteration or lithological boundaries. The samples were sealed and shipped via ALS Global to ALS Chemex Preparation Laboratories in Guadalajara (holes 11CBN114 to 11CBN184) or picked up by Inspectorate Labs and driven to their preparation laboratories in Durango State (holes 10CBRC43 to 11CBN113).

The author of the Caballo Blanco Technical Report believes that sample preparation, security and analytical procedures are adequate and have been completed to industry standard.

Mineral Resource Estimate

A resource estimate for the La Paila zone was completed on the Caballo Blanco Project by Giroux. This follows up an initial estimate completed by Cuttle and Giroux, March, 2010. The update is based on an additional 112 drill holes completed since the last estimate with an effective date for this update of Jan. 16, 2012. The authors are not aware of any environmental, permitting, legal, title, taxation, socio-economic, marketing or political factors that could materially affect this mineral resource estimate.

Geologic continuity has been established through drill core logging and geologic mapping both on surface and underground. The geologic solid is used to constrain the resource estimate. Grade continuity can be quantified by the semivariogram for each variable. By tying the search ellipse to the semivariogram range, the blocks estimated during pass 1 and pass 2 with up to ½ the semivariogram range used are considered Indicated. The drill hole density is not sufficient to establish any blocks at measured at this time. All other blocks were considered Inferred. The resource is tabulated below at a range of gold cutoffs. No economic studies have been completed at this time so a true economic cutoff is unknown. A cutoff of 0.2 g/t Au has been highlighted as a possible open pit cutoff.

The resource is presented in two sets of tables. The first tables show the resource for the portion of blocks within the mineralized solid. This is the resource available if one could mine to the limits of the mineralized solid and includes no edge dilution. The second set of tables show the resource if one mined the entire 20 x 20 x 5 m blocks. This includes the edge dilution around the extremities of the solid. The achievable resource is somewhere between these two extremes as one could never mine to the limits of the mineralized solids and with decent grade control one wouldn't take all the dilution built in to the Total Block estimate.

Indicated Resource within the Mineralized Solid - La Paila

Au Cut-off	Tonnes > Cut-off	Grade>Cut-off		Contained Metal	
(g/t)	(tonnes)	Au (g/t)	Ag (g/t)	Au (ozs)	Ag (ozs)
0.10	29,510,000	0.61	2.30	579,000	2,180,000
0.15	29,350,000	0.61	2.31	578,000	2,180,000
0.20	**28,890,000**	**0.62**	**2.32**	**575,000**	**2,150,000**
0.25	27,700,000	0.64	2.33	566,000	2,080,000
0.30	25,670,000	0.67	2.33	549,000	1,920,000
0.40	20,800,000	0.74	2.32	494,000	1,550,000
0.50	15,860,000	0.83	2.38	422,000	1,210,000
0.60	11,710,000	0.93	2.48	349,000	930,000
0.70	8,210,000	1.05	2.65	276,000	700,000
0.80	5,900,000	1.16	2.87	221,000	540,000
0.90	4,290,000	1.28	3.11	177,000	430,000
1.00	3,110,000	1.41	3.24	141,000	320,000
1.10	2,170,000	1.57	3.41	109,000	238,000
1.20	1,710,000	1.68	3.47	92,000	191,000
1.30	1,390,000	1.78	3.54	80,000	158,000

Inferred Resource within the Mineralized Solid - La Paila

Au Cut-off	Tonnes > Cut-off	Grade>Cut-off		Contained Metal	
(g/t)	(tonnes)	Au (g/t)	Ag (g/t)	Au (ozs)	Ag (ozs)
0.10	24,160,000	0.54	2.49	420,000	1,930,000
0.15	24,090,000	0.54	2.50	420,000	1,940,000
0.20	**24,020,000**	**0.54**	**2.50**	**419,000**	**1,930,000**
0.25	23,440,000	0.55	2.53	415,000	1,910,000
0.30	21,900,000	0.57	2.55	401,000	1,800,000
0.40	16,240,000	0.64	2.65	336,000	1,380,000
0.50	10,420,000	0.76	2.88	254,000	960,000
0.60	6,930,000	0.86	2.89	192,000	640,000
0.70	4,670,000	0.97	3.22	145,000	480,000
0.80	3,160,000	1.07	3.26	109,000	330,000
0.90	2,220,000	1.17	3.46	83,000	250,000
1.00	1,490,000	1.27	3.40	61,000	160,000
1.10	1,010,000	1.38	2.65	45,000	90,000
1.20	600,000	1.54	2.27	30,000	40,000
1.30	390,000	1.70	2.31	21,000	30,000

Indicated Resource within Total Blocks

Au Cut-off (g/t)	Tonnes > Cut-off (tonnes)	Grade>Cut-off		Contained Metal	
		Au (g/t)	Ag (g/t)	Au (ozs)	Ag (ozs)
0.10	40,730,000	0.46	1.90	605,000	2,490,000
0.15	36,010,000	0.51	2.01	586,000	2,330,000
0.20	**32,350,000**	**0.54**	**2.08**	**566,000**	**2,160,000**
0.25	28,920,000	0.58	2.14	541,000	1,990,000
0.30	25,440,000	0.62	2.19	510,000	1,790,000
0.40	19,340,000	0.71	2.26	442,000	1,410,000
0.50	14,100,000	0.81	2.37	366,000	1,070,000
0.60	9,940,000	0.92	2.51	293,000	800,000
0.70	6,900,000	1.04	2.68	230,000	590,000
0.80	4,960,000	1.15	2.89	184,000	460,000
0.90	3,580,000	1.27	3.13	146,000	360,000
1.00	2,510,000	1.40	3.23	113,000	260,000
1.10	1,750,000	1.56	3.34	87,000	188,000
1.20	1,340,000	1.68	3.33	73,000	143,000
1.30	1,080,000	1.79	3.51	62,000	122,000

Inferred Resource within Total Blocks

Au Cut-off (g/t)	Tonnes > Cut-off (tonnes)	Grade>Cut-off		Contained Metal	
		Au (g/t)	Ag (g/t)	Au (ozs)	Ag (ozs)
0.10	40,930,000	0.35	1.78	461,000	2,340,000
0.15	33,770,000	0.40	1.96	432,000	2,130,000
0.20	**28,410,000**	**0.44**	**2.12**	**402,000**	**1,940,000**
0.25	24,350,000	0.48	2.26	373,000	1,770,000
0.30	20,200,000	0.52	2.41	336,000	1,570,000
0.40	12,880,000	0.61	2.70	254,000	1,120,000
0.50	7,790,000	0.73	3.00	182,000	750,000
0.60	4,720,000	0.84	3.15	128,000	480,000
0.70	3,130,000	0.94	3.63	95,000	370,000
0.80	2,080,000	1.04	3.75	70,000	250,000
0.90	1,390,000	1.13	4.19	51,000	190,000
1.00	900,000	1.23	4.03	36,000	120,000
1.10	550,000	1.35	3.11	24,000	50,000
1.20	250,000	1.60	2.53	13,000	20,000
1.30	190,000	1.72	2.41	11,000	10,000

Exploration and Development

The Company continues to advance the Caballo Blanco project, in areas such as construction, land acquisitions, permitting, engineering and geological studies and the consolidation of the operations team as the Company prepares for the expected commencement of production in 2013.

The Company has had ongoing land negotiations to purchase surface rights of the land. To date, the Company currently owns approximately 80% of the surface rights.

The Company has contracted an independent research metallurgical laboratory to complete the quality assurance/quality control ("QA/QC") of 20 column leach tests at our on-site column leach testing facility at Arroyo Agrio. To date, 40 column leach tests have been performed by Company's metallurgists at this facility, showing gold recoveries ranging from 76% to 94% based on atomic absorption analysis of the recovered solution and a final fire assay of the column residue.

The underground tunnelling on the La Paila zone commenced on September 21, 2011. To date, the tunnel has advanced 225 metres of which 205 metres is in mineralized vuggy, massive and brecciated silica rock. The tunnel is being excavated to collect bulk sample material for ongoing metallurgical test work. The tunnelling also provides direct access to the mineralized zone allowing the Company to enhance its understanding of the geological and geotechnical characteristics of the mineralized silica body. The tunnel is being advanced by drilling and blasting of approximately 4.5 metres in length per day and is expected to be completed during the second quarter of 2012.

The Company continued to explore Caballo Blanco with five diamond drills in 2011 to define better and to expand the current La Paila Zone resource. Goldgroup also explored utilizing geological mapping and surface sampling in a number of areas, mainly in the Northern Zone.

On January 12, 2012 the Company hired Mr. Patrick Glynn as the Company's Vice President, Technical and Projects. Mr. Glynn commenced employment on February 1, 2012 and has taken over the engineering and construction of the Caballo Blanco project. Francisco Escandon-Valle was promoted to Technical Director of Goldgroup (corporate). The former General Manager of Caballo Blanco resigned from Goldgroup on February 23, 2012.

Status of Project Plans

The Company released an updated technical report on the Caballo Blanco gold project on February 15, 2012 based on drilling completed in 2010 and 2011**.** Based on a 0.2 g/t Au cut-off grade, the Company's indicated mineral resource estimate at the La Paila Zone grew by 314% compared to the prior technical report (dated March 22, 2010), from 139,000 to 575,000 ounces of gold (28.9 million tonnes grading 0.62 g/t Au). The inferred mineral resource estimate summed to 419,000 ounces of gold (24.0 million tonnes grading 0.54 g/t Au). The updated technical report also added silver mineral resources to the mineral resource estimate at Caballo Blanco, including 2,150,000 ounces of silver indicated mineral resources (28.9 million tonnes grading 2.32 g/t Ag) and 1,930,000 ounces of silver inferred mineral resources (24.0 million tonnes grading 2.5 g/t Ag). These mineral resources were estimated using the initial 33 diamond drill holes completed by the previous owners of the project and an additional 112 diamond drill holes completed by The Company during its 2010 and 2011 drill campaign for a total of 145 holes used to estimate the updated resource. All resources are hosted within fully oxidized material.

To date, 142 holes have been drilled at the Caballo Blanco project by The Company. Of these holes, 19 were reverse circulation holes not used for mineral resource estimations, seven were holes drilled outside the La Paila zone but within the Northern Zone, and four were unassayed as of the date of the current technical report resulting in a total of 112 additional holes being incorporated into the updated mineral resource estimate.

The Company has now received assays for the remaining four drill holes from its 2011 drill program, which are expected to be included with 2012 drilling results in a potential future mineral resource estimate. In 2011, the Company completed 32,345 meters of diamond drilling. The Company intends to complete another 30,000 metre drill program in 2012, targeting (1) expansion of the La Paila Zone to the south, southwest and northeast, (2) at least four other large IP resistivity high anomalies in the Northern Zone, and (3) prospective targets at the Highway zone. The 2012 drill program will utilize up to five HQ diamond drills, designed to expand and to upgrade the current mineral resource.

A preliminary economic assessment study has been commissioned and is expected to be completed and released in Q2 of 2012.

The Environmental Impact and Risk Studies ("EIS") were presented to the governing environmental authority in Mexico, SEMARNAT, on December 15, 2011. On March 13, 2012 the first set of comments on the Company's EIS application were received from SEMARNAT. The comments requested more information on risk mitigation, along with environmental protection and rehabilitation, of several aspects of the proposed mining operations. The Company expects to provide a detailed written response to SEMARNAT to satisfy sufficiently their queries within the required 60-day response time. Following the receipt of the written response from the Company, SEMARNAT will review the application a second time to determine the status of permitting, including if further clarification is required. This form of federal regulatory response is standard procedure in the environmental permitting process in the majority of established mining jurisdictions, including Mexico.

The Company currently plans to commence production in 2013 and its current mineral resource estimate is expected to be sufficient to sustain 100,000 ounces of annual gold production. The following are part of the exploration/development program at Caballo Blanco to achieve this objective:

- Conduct a 30,000 metre drill program in 2012 to define further the resources within the La Paila zone and to test other zones of high sulphidation mineralization located within the Company's mineral concessions.
- Conduct a geochemical analysis of surface chip samples to define better an extension of the La Paila mineralization to the north east. Similar geochemical studies are progressing in other areas.
- Conduct metallurgical column-leach testing at the Company's on-site laboratory using 16 six inch diameter by three and six metre high and four 16 inch diameter by six metre high columns. To date, these leach tests have indicated high and fast leaching recoveries. The Company has constructed four one metre diameter by six metre high columns to test and verify that, as indicated by the smaller column tests, open pit run-of-mine heap leaching is applicable. Initial test work indicates high recovery in line with the smaller column test results. The underground tunnel will give sufficient run-of-mine sized material for these one metre diameter test columns. To date 40 column tests have been completed showing gold recoveries from 76% to 94%.

- Provide a detailed written response to SEMARANT relating to the March 13, 2012 comments received by SEMARNAT on the Environmental Impact and Risk Studies.
- Expand its review of targets using satellite Aster imaging over 50,000 hectares and identified a number of anomalies which will be investigated in 2012.
- Continue underground tunneling on La Paila in order to complete further drilling and bulk sampling for metallurgical testing and also to test the high-grade structures.
- Perform soil testing at the leach pad site. This has recently been performed by outside consultants indicating positive conditions for leach-pad construction.

4.3.2 San José de Gracia Project

Unless otherwise stated, information of a technical or scientific nature related to the San José de Gracia Project contained in this annual information form is summarized or extracted from the technical report entitled "NI 43-101 Technical Report on the San José de Gracia Project Updated Resource Estimates on the Tres Amigos, San Pablo, La Union, La Purisima Zones" effective September 5, 2011 and dated January 3, 2012 (the "San José de Gracia Technical Report"), which is compliant with NI 43-101. The San José de Gracia Technical Report was prepared by J. Cuttle, P. Geo., and G. Giroux, P. Eng. of Giroux Consultants Ltd. For a complete description of assumptions, qualifications and procedures associated with the information in the San José de Gracia Technical Report, reference should be made to the full text of the San José de Gracia Technical Report, which is available under Goldgroup's profile on SEDAR. The authors of the San José de Gracia Technical Report are "qualified persons" for the purposes of NI 43-101 and independent of Goldgroup, within the meaning of NI 43-101.

Project Description and Location

The San José de Gracia Gold Property is located at Latitude 26˚, 9' N, Longitude 107˚, 53' W, in the northeast portion of Sinaloa State, Mexico, approximately 120 kilometres east northeast of the coastal city of Los Mochis. The mineral claim block covers an area of 69,121 hectares (170.801 acres) and is 100% owned by DynaMexico which is 50% owned by DynaUSA, a Delaware company, and 50% owned by Goldgroup. Under the terms of an "Earn-In/Option Agreement between DynaMexico, DynaUSA, and Goldgroup, dated September 1, 2006; Goldgroup has acquired 50% equity interest in the form of common shares of DynaMexico, in four phases, between September 2006 and March 2011, for total deposits into a segregated DynaMexico bank account of US$18,000,000.

On March 14, 2011 the Company completed its earn-in/option agreement with DynaResource de Mexico SA de CV ("DynaMexico") for a 50% equity interest in DynaMexico by reaching the expenditure funding requirement of $18,000,000. DynaMexico owns a 100% interest in the San José de Gracia project.

To advance this project additional financing will be required.

The bulk of the historical mine workings within the current property boundary and the four areas of mineral resource (Tres Amigos, San Pablo, La Union and La Purisima) are located in the south-western portion of the claim block, approximately two to four kilometres northeast of the town of San José de Gracia.

The San José de Gracia property consists of 34 contiguous mineral concessions located on map sheet G13 -A81 in the Culiacan mining district of Sinaloa State, Mexico. The claims cover an area approximately 69,121 hectares in size. The Title of the San José de Gracia Project is held by DynaMexico. The Title has been confirmed by a title opinion which the author of the San José de Gracia Technical Report has not verified. The author of the San José de Gracia Technical Report is not aware of any environmental liabilities related to the San José de Gracia Project.

Current Land Concessions - San José de Gracia – 2011

Claim Name	Claim Number	Staking date	Expiry	Hectares	Taxes/ha (pesos)
AMPL.SAN NICOLAS	183815	22/11/1988	21/11/2038	17.4234	111.27
AMPL.SANTAROSA	163592	30/10/1978	29/10/2028	25.0000	111.27
BUENA VISTA	211087	31/03/2000	30/03/2050	17.9829	63.22
EL CASTILLO	214519	02/10/2001	01/10/2051	100.0000	31.62
EL REAL	212571	07/11/2000	06/11/2050	2037.9479	63.22
EL REAL 2	216301	30/04/2002	29/04/2052	280.1555	31.62
FINISTERRE FRACC.A	219001	28/01/2003	27/01/2053	18.7856	31.62
FINISTERRE FRACC.B	219002	28/01/2003	27/01/2053	174.2004	31.62
GUADALUPE	189470	05/12/1990	04/12/2040	7.0000	111.27
LAGRACIAI	215958	02/04/2002	01/04/2052	300.0000	31.62
LAGRACIAII	215959	02/04/2002	01/04/2052	230.0000	31.62
LALIBERTAD	172433	15/12/1983	14/12/2033	97.0000	111.27
LA NUEVA AURORA	215119	08/02/2002	07/02/2052	89.3021	31.62
LA NUEVA ESPERANZA	226289	06/12/2005	05/12/2055	40.0000	7.6
LAUNION	176214	26/08/1985	25/08/2035	4.1098	111.27
LOSTRESS AMIGOS	172216	27/10/1983	26/10/2033	23.0000	111.27
MINA GRANDE	163578	10/10/1978	09/10/2028	6.6588	111.27
NUEVO ROSARIO	184999	13/12/1989	12/12/2039	32.8781	111.27
PIEDRA DE LUMBRE2	215556	05/03/2002	04/03/2052	34.8493	31.62
PIEDRA DE LUMBRE3	218992	28/01/2003	27/01/2053	4.3098	31.62
PIEDRAD E LUMBRE No. 4	212349	29/09/2000	28/09/2050	0.2034	63.22
PIEDRA DE LUMBER UNO	215555	05/03/2002	04/03/2052	40.2754	31.62
SAN ANDRES	212143	31/08/2000	30/08/2050	385.0990	63.22
SAN JOSÉ	208537	24/11/1998	23/11/2048	27.0000	111.27
SAN MIGUEL	183504	26/10/1988	25/10/2038	7.0000	111.27
SAN NICOLAS	163913	14/12/1978	13/12/2028	55.5490	111.27
SAN SEBASTIAN	184473	08/11/1989	07/11/2039	40.0000	111.27
SANT AMARIA	218769	17/01/2003	16/01/2053	4.2030	31.62
SANTA ROSA	170557	13/05/1982	12/05/2032	31.4887	111.27
SANTO TOMAS	187348	13/08/1986	12/08/2036	312.0000	111.27
TRES AMIGOS 2	212142	31/08/2000	30/08/2050	54.4672	63.22
FINISTERRE 4	231166	18/01/2008	17/01/2058	2142.1302	5.08
FRANCISCO ARTURO	230494	06/09/2007	27/03/2057	62481.3815	5.08
TOTAL				**69121.4010**	

Source - DynaMexico records ($1 Can =12.44 Pesos, Aug 10, 2011)

Surface rights access has been granted to DynaMexico by the "El Ejido Santa Maria" in a Land Occupation Agreement dated May 12, 2002 and covering a 30 year period.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access to the claim area is by hard cap road from Los Mochis to the small town of Sinaloa de Leyva then by gravel road to the village of San José de Gracia (population 250), roughly a five hours trip. A gravel airstrip nearby the town of San José de Gracia is suitable for light aircraft. Air charters are available at the airport in Los Mochis. The topography is generally rugged with elevations varying from 400 meters in the valley bottoms to over 1600 meters in the higher sierra. A network of small roads and tracks winds their way around areas nearer the old workings at San José de Gracia however access to the remainder of the large property is not easy without the use horse or helicopter.

The climate is semi-tropical with a rainy season dominating from late June through October. Summer temperatures vary up to 40˚C with high humidity while the winter temperatures are cooler with night-time lows of 5˚C. Rains in the wet season can range from gentle late afternoon/early evening showers to strong rains, which can last up to a few days. Precipitation averages 550 mm annually.

The village of San José de Gracia (population 250) in the south-western corner of the land package provided much of the labour for the operation, which had approximately 75 employees, however, has very limited services. There is no grid electricity supply or running water and the few stores offer minimal goods. The Project produces its own diesel-generated power for the mine site and mill and has developed a water supply. The mine site area has accommodation facilities for about 50 persons. DynaMexico maintains an administrative and logistics office in Guamuchil and the project sources many of its supplies there, in Los Mochis and in Culiacan. Although there is a satellite dish installed at the site, communications from the site to Guamuchil relies on a radio link using a repeater station in the Sierra Madre foothills. During the property visit in May, 2009 by the author of the San José de Gracia Technical Report, the San José de Gracia Project hosted a camp staff of 10-15 people, including geologists, local field helpers, consultants, security and cooks and cleaners. Most of these employees come from outside of the community.

History

Much of the exploration and mining activity dates back to as early as 1828 when gold mineralization at San José de Gracia was first discovered by Spanish explorers. During the next eighty years over sixty gold occurrences were uncovered, of particular importance were the La Purisima and La Prieta vein structures that were recorded to host high grade gold up to 3.4 ounces per tonne. The peak period of production from the San José de Gracia camp occurred in 1890 to 1910 with an estimated 1 million ounces of gold produced from the La Purisima and La Prieta area. Other smaller mines that contributed to this production were Palos Chinos, San Pablo, Tres Amigos, La Ceceña, La Union, La Parilla, Veta Tierra, Santa Rosa, Eduwiges and Los Hilos Mines.

Mining did not resume immediately after the Mexican Revolution in 1910 due to several logistical problems. It was not until the 1970's when mining could resume at San José de Gracia, when the first road to San José de Gracia was opened, allowing Compania Rosarito to begin producing gold from the Palos Chinos, San Pablo, Tres Amigos and La Union mines from 1978 to 1994. Several other mining companies such as Asarco and Peñoles had tried in vain to consolidate the tightly held mining concessions. In 1996, Golden Hemlock acquired a controlling interest in the property through Minera Finisterre, SA de CV, and later carried out a substantial drill program.

DynaMexico was formed by DynaUSA in 2000 to acquire and consolidate ownership of San José de Gracia. By the end of 2003 DynaMexico had completed the acquisition of 100% of San José de Gracia. In 2003 DynaMexico began small scale underground mining at San Pablo until operations were suspended in 2006, producing 18,250 ounces of gold from 42,000 tonnes of material over 3 1/2 year span. Goldgroup has earned a 50% equity interest in DynaMexico, through the acquisition of common shares. DynaMexico is owned 50 % by DynaUSA, and 50 % by Goldgroup. The following table outlines potential historic gold production from the San José de Gracia area. These are historic estimates only and should not be considered reliable.

Historic Gold Production – San José de Gracia – pre 1970's

Area	Gold Production (oz)	Gold Grade (g/t)	Mined Width (m)
Purisima Ridge trend (includes the Anglo, Rosario, Jesus Maria & La Cruz Mines)	471,000	67.0	Unknown
La Prieta trend (La Prieta Mine)	215,000	28.0	1.5-3m
Other areas	300,000	Unknown	Unknown

San Pablo Area

Mining activity at the San Pablo prospect is a relatively recent event with the majority of the work and exploration at this site occurring from the1980's to recent times. The prospect outcrops prominently along the edge of a more resistant gossanous hilltop, known as the 'Gossan Cap'. In 1992 and 1997 it was this cap that drew the attention of companies like Peñoles and Golden Hemlock where they focused their work primarily on drilling shallow holes near to the top of the ridge and just beneath the Gossan Cap. In 2003 DynaMexico opened and refurbished an old drift located approximately 60 meters below the cap where at least one vein structure is exposed over a strike length of 135m and vertical extent of 40m. It is here that DynaMexico produced 18,250 ounces of gold from 42,000 tonnes of production from selected high grade "pockets" of ore.

These are historic estimates only and may not be considered reliable.

The operation was based on previous production records, underground sampling and a very small amount of diamond drilling by past operators. There was no formal mine plan and day to day operations were sustained by advance on the vein as directed by the mine geologist and foreman. Mining was being carried out by drifting along the strike of the vein on multiple levels with up-dip mining of the vein between the strike drift. The strike drifts were interconnected by ramps and approximately 50% of the vein was left in pillars between the strike drifts. All mining was completed by jackleg and LHD units, which trammed the ore to a stockpile at the portal, a distance of several hundred meters. Dilution of the mineralized veins was estimated to be 40 to 60% in the drifts along strike due to the narrow width of the veins relative to the strike - heading dimensions (3 - 3.5 m).

Recent Production – San Pablo Vein – DynaMexico (2003 – 2006)

Period	Total Production (tonnes)	Reported Mill Grade (g Au/t)	Reported Recovery	Gold Production (oz)
2003	7,500	25	~90%	5,000
2004	13,500	25	~85%	7,500
2005	17,500	15	~75%	5,000
2006 Jan. to June	3,500	15	~75%	750
Total	42,000	~20	~85%	18,250

It was not until 2007 when a fan of holes was drilled down plunge from below the current underground workings that the continuation of the San Pablo shoot was discovered.

Tres Amigos Area

Tres Amigos is a relatively new prospect, located 1.2 kilometres northeast of San Pablo. Current day exploration and mining activity was not documented in detail until the late 1990's when Golden Hemlock drilled 26 core holes along the flanks of two intersecting mineralized vein trends. The main Tres Amigos trend strikes northeast at 060 and dips variably from 30' to 45' to the northwest. A second intersecting structure known as the Orange Tree strikes northwest at 310 and dips 35 ° to 45' to the southwest. DynaMexico collected a 500 kg bulk sample of stockpiled ore from the lower adit level of Tres Amigos as well as three 5 -15 kg samples from quartered drillcore in holes drilled in 1997 by Golden Hemlock. It is not clear what year this bulk sample was collected.

La Purisima

The La Purisima trend represents the area of greatest past production at San José de Gracia with over 471,000 ounces of gold produced from highly oxidized, high grade (66.7 g/t Au) quartz veins in the Anglo, Rosario and La Cruz deposits on Purisima Ridge. The author of the San José de Gracia Technical Report cautions that these are historic estimates only and may not be considered reliable. Mining of the La Purisima trend exploited a southeast striking, moderately (45-50°) southwest dipping quartz vein system along a 1.25 kilometre strike length and 400 meters down dip (250m vertical). Based on the spacing of ore bodies along the La Purisima trend, it appears that the mines were exploiting high grade, southwest plunging ore shoots that developed at regular intervals along the trend of the vein system. The orientation of workings in the Anglo Mine suggests that this ore body may have formed at the intersection of southeast and southwest trending vein systems, with the southwest trending veins extending towards mineralization of the La Parilla to Veta Tierra trend.

La Union Area

The La Union mine is part of the larger La Parilla to Veta Tierra trend that in total comprise five southwest striking, northwest dipping (50-70°) veins (Veta Tierra, Sta Eduwiges, La Union, La Mochemara, La Parilla) traced over a 700 meters strike length. Down dip continuity of the veins within this trend has been confirmed by two phases of drilling by Peñoles in 1992 and by Hemlock in 1997. In addition to down dip potential, the vein is interpreted to coalesce at deeper levels into a central feeder vein, which may host significant gold mineralization through increased vein widths and the development of structurally controlled shoots.

Geological Setting

Regionally the San José de Gracia Property is situated on the western portion of the Sierra Madre Occidental (SMO) geological province, a linear belt of volcanic rocks approximately 1500 kilometres long by 250 kilometres wide that has proven to host many important and economic epithermal gold and silver veins in western Mexico. The SMO rests on highly deformed Carboniferous sediments that are overlain unconformably by two principle Tertiary and Cretaceous volcanic units referred to as the Upper and Lower Volcanic Groups respectively. Both upper and lower packages are separated by two lengthy periods of erosion and associated local felsic intrusive activity.

Although not commonly seen elsewhere in the SMO, the basement Carboniferous rocks are highly deformed metasediments and include shale, siltstone and conglomerates. The Cretaceous age Lower Volcanic Group (LVG) is dominated by andesitic to dacitic volcanics including minor rhyolites which are intruded towards the end of their cycle by a suite of quartz monzonite, granodiorite, porphyritic andesite and diorite. The Tertiary age Upper Volcanic Group (UVG) is characterized by basal conglomerates, ignimbrites, rhyolites, felsic tuffs and minor andesites. The contact between the two volcanic packages is highly prospective for precious metal vein style mineralization as a majority of epithermal gold - silver prospects and mines in the SMO occur just below or in some newer cases just above this unconformity interval.

Four principal and important rock units outcrop on the San José de Gracia Property and are described below, from oldest to youngest.

Upper Palaeozoic (Carboniferous) Sedimentary Rocks – These shales, sandstones, limestones and pebble conglomerates are highly deformed, folded and faulted marine sediments with lithological thicknesses believed to be greater than 800 meters. They are best exposed along the eastern edges of the current project area.

Cretaceous Lower Volcanic Group – This group of volcanic rocks is found extensively throughout western Mexico in the Sierra Madre Occidental and commonly host many of Mexico's base and precious metal deposits. They can be roughly divided into a basal sequence of feldspar bearing rhyodacite crystal tuffs and flows grading upwards to a thicker sequence of andesite flows, tuff breccias and related sills.

Tertiary Upper Volcanic Group – Higher elevations of the San José de Gracia property, particularly along its western edges are underlain by rhyolitic ignimbrite and tuffs. These are resistant rock types that most likely acts as a cap to mineralization.

Tertiary Intrusive rocks – Three types of intrusion have been mapped in the project area. They include 1.) Stocks and plugs quartz feldspar porphyry located near Tres Amigos and are possibly coeval to the rhyodacite tuffs. 2.) Sill like diorite porphyry occurring in the basement sediments or close to the overlying Lower Volcanic Group. 3.) Mafic Dykes that cut all units and act as possible 'feeders' to the Upper Volcanic Group Hornillos and Navachiste Formations (CRM,1992).

Exploration

The earliest exploration work documented at San José de Gracia dates back to 1992 and 1997 when Peñoles and Golden Hemlock completed limited drilling campaigns at Tres Amigos. San Pablo, La Union and Ala Purisima areas. DynaMexico has been conducting exploration activities on the San José de Gracia property since late 2006. These activities have included geological mapping, geochemical stream sediment and rock chip sampling, underground surveying and diamond drilling. Geochemical surveys comprise systematic sampling of available rock outcrop and collection of creek sediment.

DynaMexico has collected 6,834 outcrop chip samples and analyzed them for Au, Ag, Cu, Pb, Zn, As, Mo, Ba, Mn, and Fe. Refer to previous NI 43-101 report on San José de Gracia (Feb 11, 2011) for descriptions and maps. DynaMexico has also collected 144 stream sediment samples and analyzed them for gold.

Rock chip geochemical surveying covers an area of approximately 5 kilometres (east-west) by 5.5 kilometres (north-south) with an approximate grid density of 100 metres by 100 metres. There are several areas containing anomalous gold values located in bedrock and creek drainages that, for the most part, correspond to areas that have had historical mining activity. These also include new anomalies yet to be investigated. In 2010/11, DynaMexico collected 45 underground chip samples at La Prieta.

Mineralization

Gold mineralization at San José de Gracia is hosted within andesite and rhyodacite of the LVG and underlying Palaeozoic sediments as fault breccia veins and crackle breccias that exhibit multiple stages of reactivation and fluid flow, as evidenced by crustiform/colloform textures and cross cutting veins. Locally, veins exhibit sharp, clay gouge hanging wall and footwall contacts with slickensides, indicating reactivation of structurally-hosted veins subsequent to mineralization. Gold grades can also be carried within the mineralized halo adjacent to the principal veins as quartz -chlorite stock work and it is this type of mineralization that may hold the greatest potential on the property. In addition to vein - hosted mineralization, broad zones of un-mineralized clay alteration, developed southwest of the main mineralized trends, may overlie lower -grade, disseminated gold mineralization at depth.

Alteration at San José de Gracia is laterally and vertically zoned from discrete zones of silicification to broad zones of illite to clay alteration with increasing elevation and/or distance from the main feeder structures. Faulting and tilting of the mineralization system has affected the surface distribution of alteration and in general has exposed deeper portions of the system in the northeast and exposed shallower, more distal portions of the hydrothermal system in the southwest part of the property.

Type and Spatial Distribution of Alteration

Type	Mineralogy	Description	Distribution
Silicification	qtz,py,±ksp,ill	-pervasive - structurally controlled, forming envelopes to veins	- pervasive zones developed at deeper levels of the vein
Illite	ill,qtz,py	-broad zones of alteration adjacent to veins	- intermediate levels
Mixed Clay	ka+ill+py±qtz	-broad zones of pervasive alteration	- adjacent to the upper parts of vein systems
Propyllitic	chl,ill,py,±ep, qtz,cc	- broad zones of alteration decreasing in intensity outwards	- outboard of zones of silicification and illite alteration
Chlorite stockwork	chl,py,±qtz	- structurally controlled zones of stockwork veinlets overprinting illite and silicification	- developed in the footwall and hanging wall of veins at intermediate to deep levels.

(After Sullivan and MacFarlane, 2006)

Six principal mineralized trends over an approximate north -south strike length of 4 km and surface area of 12 square kilometres have been identified at San José de Gracia. From south to north these consist of: 1.) Purisima Ridge trend; 2.) Palos Chinos trend; 3.) La Parilla to Veta Tierra trend; 4.) San Pablo trend (recent production); 5.) La Prieta trend; and 6.) Los Hilos to Tres Amigos trend.

Target Type and Characteristics of the Main Mineralized Trends

Trend	Target Type & Characteristics	Historical Results & Past Production
La Purisima (Anglo, Rosario & La Cruz Mines)	- High-grade gold veins, mining interrupted with the onset of the Mexican Revolution in 1910; -Three main ore zones developed within dilational jogs and at vein	Past production of approximately 471,000 oz gold at an average grade of 66.7 g Au/t; One surface chip sample between La Purisima and Palos Chinos returned 52 g Au/t over 0.6 m.
Palos Chinos (Palos Chinos & Tajo Verde Mines)	- High-grade S striking, W dipping vein with SW plunging ore shoots defined by dilational jogs in vein	Old workings 270 m along strike & 70 m down dip; Vein average: 12.7 g Au/t over 1.3 m, with grades up to 92.5 g Au/t over 0.7 m; Transect from Palos Chinos vein through stockwork mineralization to sub parallel hanging wall vein grades 7.4 g Au/t over 7.6 m, including 13.4 g Au/t over 3.4 m
LaParilla to Veta Tierra (Veta Tierra, Sta. Eduwiges, La Union, La Mochemara & La Parilla Mines)	-5 SW striking, W dipping high-grade gold veins in 150 m wide zone (600 m strike length, open in both directions); - Zone cut by S striking, W dipping veins; - Located within a structural corridor which may link the La Purisima and La Prieta trends	Combined, the veins average 10.6 g Au/t over 0.86 m; Santa Eduwiges underground averages 20 g Au/t over 0.7 m; La Union West underground averages 17.7 g Au/t over 1.6 m; Multi-gram gold values in float at SW & NE ends of surface exposures; 32.9 g Au/t over 1.3 m from SW-S vein intersection.
San Pablo (San Pablo Mine)	- Two subparallel veins, mineralized shoot defined by vein intersections; - Stockwork mineralization in footwall points to bulk mineable potential	●Quartz-rich, sub-vertical vein averages 28.3 g Au/t over 0.85 m, with grades of up to 91.7 g Au/t over 0.6 m in main vein; Stockwork mineralization in footwall cross cut yielded 8.7 g Au/t over 10 m; ●Recent Production of 18,250 Oz Au from 42,000 tons Mined; at Aver. Grade of 20 g/t; with Production Costs of approx. $175 / Oz. in small scale;
La Prieta (La Prieta Mine)	- High-grade (>30 g Au/t based on past production) - Flat zone, which may have formed between parallel SW striking veins	●Past production of approximately 215,000 oz gold at an average grade of 27.6 g/t; Preliminary mapping & sampling yields gold values up to 48.84 g/t.

Trend	Target Type & Characteristics	Historical Results & Past Production
Los Hilos to Tres Amigos (Tres Amigos, West Tres Amigos, La Cecena, Tepehauje, Los Hilos + Sta. Rosa Mines)	- SW striking W dipping high-grade vein with minimum 1.4 km strike length; - Variation in vein chemistry along the strike extent, from sulphide-rich at Tres Amigos to low-sulphide, carbonate-rich vein with bonanza grades around Los Hilos.	●Small mines (Tres Amigos, La Ceceiia, Los Hilos + Sta. Rosa) developed intermittently along the trace of the vein, mining often halted at the intersection of W or NW trending faults with right lateral offset; ●Los Hilos to La Cecena area: surface work traced a low sulphide vein with up to 104 g Au/t gold; ●Vein average at Tres Amigos (based on 1997 drilling) of 5.9 g Au/t over 2.6 m. Significance of cross structure (Orange Tree trend: 23 g Au/t over 1.6 m in DDH & 210 g/t at surface) not fully evaluated.

The geological model that is emerging for gold mineralization at San José de Gracia is one in which precious metal bearing low sulphidation fluids exploited steeply to locally moderately dipping northwest to northeast trending faults over a strike length of at least 1.5 km. Although mineralization may have followed pre-existing structures, the presence of breccia zones suggests that deformation was at least in part synchronous with mineralization.

Underground mapping suggests a high potential for the presence of thick, high-grade ore shoots formed within and adjacent to the main mineralized structures. These include: 1) Dilational jogs – Palos Chinos; 2) Vein intersections – San Pablo 3) Vein flattening (rolls) Amigos; and 4) Flat Zones - La Union and La Prieta (La Prieta may be hosted within a pre-existing thrust fault).

Mineralized veins comprise principal south west and secondary south striking fault breccia veins that are cut by late east-west and northwest striking brittle faults with normal displacement. Gold- bearing siliceous fluids formed tabular or sheet-like quartz, quartz -sulphide and quartz- calcite veins and breccia veins which were subsequently cut by late brittle(?), normal (right lateral) faults, resulting in the small- scale (often <1 meter) offsets observed on surface and in underground. Quartz-replaced bladed barite and possibly calcite mapped on surface suggests that boiling was the principal mechanism of gold deposition within the system. The presence of this textural evidence at surface, along with the presence of the old working implies that the zone of gold deposition is well preserved at San José de Gracia. Precious metal epithermal vein systems, such as at the Tayoltita silver - gold mine, located some 220 km to the south, have been shown to host economic mineralization down dip over lengths of some 200 to 300 m, well below the depth of old workings at San José de Gracia. Given the dimensions of the mineralizing system at San José de Gracia, it has the potential to host similar quantities of gold in a similar geological setting as Tayoltita.

Previous studies suggest that the gold mineralization at San José de Gracia can be grouped into the 'low sulphidation' epithermal model of precious metal ore deposits. These deposits are found worldwide and have been formed commonly during the Cretaceous to modern times. They occur as veins, breccias and disseminations of precious metal mineralization deposited by the circulation of neutral to weakly acid hydrothermal fluids along regional fault structures, fracture zones or along highly permeable lithologies such as volcanic ignimbrite and agglomerate.

Because the fluids are relatively neutral, very little alteration is evident and the veins and nearby wall rock may commonly include illite, sericite and adularia. Generally this style of mineralization is found distally from a heat source.

Drilling

Four drill campaigns have been completed in the vicinity of the old mines at San José de Gracia. Peñoles drilled eleven short reverse circulation (RC) holes in 1992 targeting shallow mineralization and up -dip potential of previously identified vein structures. Unfortunately results of this drill program are not well documented and are not considered reliable. In 1997 and 2007 to 2011 both Golden Hemlock and DynaMexico drilled a total of 362 core holes stretching over a horizontal distance of approximately three kilometres.

<u>San Pablo Area</u>

One hundred and seventeen holes have been drilled at and around the San Pablo area, a total of 22,797 meters. These programs included 4 reverse circulation holes by Peñoles in 1992, 12 NQ core holes by Golden Hemlock in 1997 and 101 HQ/NQ core holes by DynaMexico in 2007–2011, under Goldgroup's technical direction. This drill program was specifically designed on 50 meter grid spacing and roughly 50 meter pierce points down dip of the vein.

Of these 117 drill holes, 85 define the San Pablo mineralized zone and have been used to calculate the resource. The drilling identifies a tabular shaped mineralized zone trending approximately 015 north northeast with variable dips to the west between 35 and 55 degrees. Along this plane the mineralized zone plunges to the southwest over 550 meters with roughly 70% of the shoot lying below the underground workings at San Pablo. The San Pablo mineralized zone at present contains only inferred resources despite the fact that the zone has been penetrated by 101 drill holes on roughly 30x30m centres. Further infill drilling is required to raise a portion of the resource to indicated status. Refer to the San José de Gracia Technical Report for technical results.

Tres Amigos Area

One hundred and seventeen core holes (25,941 meters) have been drilled in the Tres Amigos area, twenty six holes by Golden Hemlock in 1997 and ninety one holes by DynaMexico under Goldgroup's technical direction in 2008 to 2011. The vein structures are located in an area with deep valley cuts and steep topographic terrain making any future drilling problematic unless underground drill drifts are developed. Many of the current holes have two or three collars from one setup, some of which have been turned 180 ° to get additional cuts of the shallow to moderately dipping vein structures. Of the 117 holes drilled in the Tres Amigos area, 99 have been used to define the mineralized zone and to calculate the resource. The zone remains open down dip and along strike to the northeast.

The Tres Amigos mineralised zone remains open down dip and along strike to the northeast. Further drilling is required in these areas to better define the total extent of the zone. Historic drilling in the Tres Amigos area by Golden Hemlock in 1997 has no record of quality control. Although none of these holes were twinned during the more recent programs a number of infill holes were drilled between and around the 1997 drill holes. Down hole intercepts and grades encountered during the recent campaign correspond closely with historic drill results. Refer to the San José de Gracia Technical Report for technical results.

La Purisima

Eighty holes have been drilled at La Purisima (including Z Argilica) from 1992 through 2011. Peñoles drilled 1 reverse circulation hole in 1992, Golden Hemlock drilled 14 diamond drill holes in 1997 and DynaMexico drilled 65 diamond drill holes from 2007 to 2011. Drilling at La Purisima has established an up dip connection between the old Palos Chinos workings and the main La Purisima zone outlining a mineralised shoot plunging to the southwest. Mineralized intercepts are generally narrower than at Tres Amigos and San Pablo however there is sufficient continuity to calculate an inferred resource in the area. The zone remains open on its western margin and additional drilling is required to better define the extent of the mineralization. Refer to the San José de Gracia Technical Report for technical results.

La Union

Fifty four holes have been drilled at La Union from 1992 through 2011. Peñoles drilled 4 reverse circulation hole in 1992, Golden Hemlock drilled 12 diamond drill holes in 1997 and DynaMexico drilled the remaining 38 diamond drill holes from 2007 to 2011. Recent drilling by DynaMexico, utilizing technical personnel contributed by Goldgroup and contracted by Mineras has targeted gold mineralization along the La Union trend. Drilling along strike from La Union to the northeast has demonstrated continuity of the vein structure as far as the old Veta Tierra mine. Further drilling in this area is required to determine whether La Union, Veta Tierra and San Pablo are all the same structure. Of the 54 holes drilled in the La Union Veta Tierra trend, 31 have been used to calculate a resource. Please refer to the San José de Gracia Technical Report for technical results.

Sampling and Analysis

Four basic periods of core drilling and reverse circulation sample collection have taken place in recent years at San José de Gracia. In 1992, Peñoles drilled 11 short reverse circulation (RC) holes at various locations near San Pablo and La Union areas. Unfortunately this data was not well kept and the quality of the assays is questionable. During Golden Hemlock's 1997 drill program no information is available on what Quality Assurance and Quality Control (QA/QC) measures were in place during their drilling and consequently the 2431 drill core assays from 63 drill holes cannot verify the calibre of laboratory quality control.

However, the larger drill programs completed in 2007 to 2008 and 2009 to 2011 incorporated a program of QA/QC for all of the 40,070 samples taken from 290 of the 298 diamond drill holes (holes 07-09 to 11-298). Project geologists first logged and marked the core at storage facilities in San José de Gracia, while technicians later split the individual core lengths with a diamond saw, placed half the core in a plastic bag, numbered the bags for the laboratory and then closed them with security clips. The half core samples were then trucked to Hermosillo, Mexico where Sonora Sample Preparation SA de CV (SSP) crushed each sample to -150 mesh. The rejects remained with SSP while the pulps were air couriered to International Plasma Labs Ltd. (IPL) of Vancouver, Canada or Inspectorate Labs of Reno, Nevada and analyzed for gold by fire assay with Atomic Absorption (AA) finish. During the program after drill hole 10-148, IPL was taken over by Inspectorate and all samples were subsequently sent to the Inspectorate preparation facility in Hermosillo. Samples over 10 gram per tonne gold were re-run using fire assay with gravity finish. In addition, a 30 element Inductively Coupled Plasma (ICP) analysis (aqua regia digest) was conducted on all samples. The remaining half of the core is stored on site at the Company's camp in San José de Gracia. As far as a Quality Assurance/Quality Control, DynaMexico, utilizing technical personnel contributed by Goldgroup and contracted by Mineras, one of either the regular blanks, duplicates or one of the three different 'reference' standards were inserted into each lab shipment roughly every 20 samples. These standards were purchased commercially from Rocklabs Ltd., of Auckland, New Zealand.

The 2007 and 2008 assay program was reviewed by Caroline Vallat of Geospark Consulting whose conclusion was that "The review of the San José de Gracia 2007 and 2008 analytical results for quality has shown that the primary analytical results obtained from IPL are of sufficient precision and accuracy to represent the project. Control charts show most of the assay data on the three different standards to be within three standard deviations of the norm. Re assay of all batches of samples with standards above and below three standard deviations has been undertaken.

The following show assay data variation using a stricter 2 standard deviation control

- Standard SP-37, 7.1% or 23 samples out of a base of 323 – above/ below 2SD
- Standard SG-31, 5.9% or 15 samples out of a base of 254 – above/ below 2SD
- Standard OxL-51, 6.8% or 18 samples out of a base of 262 – above/ below 2SD

Although most of the 'blank' inserts are within acceptable range, control charts with 417 inserted blanks identify 3 outliers that require re -assay. These include sample 11592 (24ppb Au), sample 14705 (30ppb Au) and sample 14724 (40ppb Au). The duplicate assaying program identifies 2 outlier samples from 226 duplicates that require re-assay. When these two outliers are removed the program shows a high degree of correlation with a 50 ppb constant variance. The two samples are #1373 (orig 297ppb Au, dup 102ppb Au) and #1900 (orig 320 ppb Au, dup 203 ppb Au).

Although concerns have been identified, Cuttle believes sample preparation, security and general analytical procedures have been adequate. 2009 to 2011 quality control on standards submitted to IPL Labs show most of the assay data on seven different standards to be within three standard deviations of the norm. This data is of sufficient accuracy to represent the drilling at San José de Gracia.

- Standard SP-37, 2.2% or 14 samples out of a base of 618 – above/ below 3SD
- Standard SG-31, 0,3% or 1 sample out of a base of 283 – above/ below 3SD
- Standard OxL-51, 0% or 0 samples out of a base of 80 – above/ below 3SD
- Standard OxL63, 2.3% or 11 samples out of a base of 461 - above / below 3SD
- Standard SG40, 5.9% or 19 samples out of a base of 320 - above / below 3SD
- Standard Sj-53, 18.69% or 40 samples out of a base of 214 - above / below 3SD
- Standard OxP76, 4.3% or 6 samples out of a base of 138 - above / below 3SD

Mr. Cuttle travelled to and visited the San José de Gracia Project area from May 21 to May 24, 2009, in the company of Keith Piggott, Omar Felix Saavedra and Jonathan Cordery. Core logging and storage facilities, the geology offices, the mill, as well as several historic mining sites including Tres Amigos, San Pablo, La Prieta, La Union, and Gossan Cap were viewed and photographed. Many of the recent drill pads from the 2007-2008 drill campaign were clearly located and are identified by cement carne. A total of five rock samples were collected by the author of the San José de Gracia Technical Report including three rock samples of quartered core from drill holes at Tres Amigos and San Pablo and two chip samples from underground workings at the same locations. These rocks were hand delivered to Acme Labs of Vancouver for analysis (certificate in Appendix IV). Below is a list of the assay results from the five samples taken at Tres Amigos and San Pablo. Five check samples collected by Cuttle and listed below support the fact that gold mineralization is verified from specific 'point' locations, in two areas namely Tres Amigos and San Pablo.

The project's technical staff have kept a well maintained database of all its drill hole collars, deviation surveys, assays and geology information in both Microsoft Access and Surpac software formats. More recent improvements have involved re-checking surveys of drill collars, re-logging of all the 126 drill holes including the 68 holes at San Pablo, and re-assay checks of pulps from selected holes at San Pablo and Tres Amigos. During the property visit Cuttle was able to verify locations of several surface drill collars as well as check different drill holes from San Pablo and Tres Amigos for consistency of general rock descriptions and sample assay locations. In addition to the quality control programs already in practice, The author of the San José de Gracia Technical Report requested 350 drill core pulps be sent to ALS Chemex Labs for assay checks. Results from this study show an acceptable degree of correlation between new assays from Chemex and the original assays from IPL Labs and Inspectorate Labs. Results of this study are found in Appendix IV.

Mr. Cuttle visited the property on the 24th and 25th of May 2011 in the company of Kevin Sullivan and Omar Felix where he inspected drill core and several of the historic mine sites including Tres Amigos and San Pablo and some of the recent drill collars marked by concrete plinth from the 2009 to 2011 drill campaign. The author of the San José de Gracia Technical Report is of the opinion that the data is of industry standard and suitable for a resource estimate.

Ore and existing mill tailings samples were collected prior to DynaUSA assuming full control of the operation. The ore samples consisted of a bulk (about 500 kilograms) of stockpiled ore from the lower adit of the Tres Amigos mine (intercept of the Tres Amigos and Orange Tree veins). In addition, approximately 100 kilograms of ore as a bulk sample was taken from the surface at the Gossan Cap area. Three additional ore samples (approximately 5-15 kilograms each) were assembled from splits of the cores from several of the 1997 drilling program core holes and were primarily to develop samples representing different ore types for testing (other than that represented in the bulk samples).

These included: segments from the drill hole from Palos Chinos, massive sulphide veins from the Tres Amigos vein and the so-called disseminated, non-sulphide mineralized zones at the bottom of several Tres Amigos core holes. The logic was that major exploratory test work to define a metallurgical process would be done on the bulk sample from the adit at Tres Amigos and the other samples would have limited testing done at the selected metallurgical process conditions to verify the performance of that selected metallurgical process circuit on other types of San José mineralization. Finally, several bulk samples (50-100 kilograms) of existing tailings from the Rosarito mill and the old Rosarito mill were collected and used to do flotation, gravity and limited leachability test work on the tailings.

The samples were shipped to the laboratory of Carbonyx Carbon Technologies in Plano, Texas where in 2000 and 2001 two separate preliminary test programs were conducted, one for the tailings, the other for a portion of the bulk Tres Amigos ore. A concept for the metallurgical processing to produce both gravity and flotation concentrates (rougher and cleaner) was developed. The tests confirmed a metallurgical flow sheet to be utilized at San José de Gracia to recover up to 90% of the feed gold into the concentrates. This testing established a preliminary flowsheet for a mill circuit for processing either primary ore or for reprocessing the existing tailings. Subsequently Hazen Research Laboratories of Golden, Colorado was engaged to provide independent verification of the in-house work, and carry out additional optimization test work.

The initial gravity beneficiation/flotation test work on the Tres Amigos and Gossan Cap bulk ore samples was very encouraging with up to 80% recovery of the feed gold into the gravity concentrates while maintaining a minimum concentrate grade of 100 g Au/t. The existing tailings samples (feed grades of 3-8 g Au/t) returned similar recovery results, but had to be cleaned to produce a final concentrate with greater than 100 g Au/t. The overall gold recoveries in the gravity cleaner concentrate still were in excess of 50% of the total feed gold. Flotation tests on primary ore samples resulted in recoveries of 85-90% of the feed gold into the rougher concentrates, however, recoveries after cleaning (to get greater than 100 g Au/t grade) dropped to the 65-75% range. A combination circuit of a gravity pre-concentration stage with flotation on the gravity tailings indicated the potential to recover greater than 90% of the feed gold into the gravity concentrate, the rougher flotation and the cleaner flotation concentrates while maintaining a 100 g Au/t grade in all of the concentrates. This combination became the basis for subsequent mill circuit design at San José de Gracia.

Security of Samples

Project geologists first logged and marked the core at storage facilities in San José de Gracia, while technicians later split the individual core lengths with a diamond saw, placed half the core in a plastic bag, numbered the bags for the laboratory and then closed them with security clips. The half core samples were then trucked to Hermosillo, Mexico where Sonora Sample Preparation SA de CV (SSP) crushed each sample to -150 mesh. The rejects remained with SSP while the pulps were air couriered to International Plasma Labs Ltd. (IPL) of Vancouver, Canada or Inspectorate Labs of Reno, Nevada and analyzed for gold by fire assay with Atomic Absorption (AA) finish. During the program after drill hole 10-148, IPL was taken over by Inspectorate and all samples were subsequently sent to the Inspectorate preparation facility in Hermosillo.

Samples over 10 gram per tonne gold were re-run using fire assay with gravity finish. In addition, a 30 element Inductively Coupled Plasma (ICP) analysis (aqua regia digest) was conducted on all samples. The remaining half of the core is stored on site at the Company's camp in San José de Gracia. As far as a Quality Assurance/Quality Control, DynaMexico, utilizing technical personnel contributed by Goldgroup and contracted by Mineras, one of either the regular blanks, duplicates or one of the three different 'reference' standards were inserted into each lab shipment roughly every 20 samples. These standards were purchased commercially from Rocklabs Ltd., of Auckland, New Zealand.

Although concerns have been identified, Cuttle believes sample preparation, security and general analytical procedures have been adequate. Since the completion of this report Cuttle understands the quality control issues during the 1997, 2007 and 2008 drill programs were addressed. These issues have been reviewed and verified by Caroline Vallat of Geospark Consulting.

Mineral Resource Estimate

Based on the study herein reported, delineated mineralization of the San José de Gracia Property is classified as a resource according to the following definition from NI 43-101. At this stage of the project there is reasonable geologic continuity based on surface and underground exposures and drill core to establish the vein boundaries. Grade continuity can be quantified by semivariogram analysis. Usually the classification can be linked to the semivariogram range with blocks estimated during pass 1 at ¼ of the semivariogram range being classed measured, blocks estimated using ½ the range being classed indicated and all others classed inferred. The Tres Amigos vein with the additional drilling completed in 2010-11, had blocks within the more densely drilled north east section, classified as Indicated if estimated during Pass 1 or 2.

All other blocks within the Tres Amigos structure were classified as Inferred. At this time there was insufficient drill data to determine semivariograms on the La Union and La Purisima domains and too few blocks estimated in Pass 1 and 2 on the San Pablo to classify any of this resource as measured or indicated. The total indicated and inferred resource is tabulated below with a gold cut-off of 2 g/t highlighted as a possible cut-off for underground extraction. No economic evaluation of this project has been completed and as a result the economic cut-off is unknown at this time.

Tres Amigos Veins - Indicated Resource											
Cut-off (Au g/t)	**Tonnes > Cut-off (tonnes)**	**Grade > Cut-off**					**Contained Metal**				
		Au (g/t)	**Ag (g/t)**	**Cu (%)**	**Zn (%)**	**Pb (%)**	**Ozs. Au**	**Ozs. Ag**	**Kg Cu**	**Kg Zn**	**Kg Pb**
0.50	1,060,000	4.52	10.15	0.21	0.52	0.06	154,000	346,000	2,226,000	5,512,00	636,0
1.00	1,051,000	4.55	10.19	0.21	0.52	0.06	154,000	344,000	2,207,000	5,465,00	631,0
1.50	997,000	4.73	10.42	0.21	0.52	0.07	152,000	334,000	2,094,000	5,184,00	698,0
2.00	**913,000**	**5.00**	**10.72**	**0.21**	**0.54**	**0.07**	**147,000**	**315,000**	**1,917,000**	**4,930,00**	**639,0**
2.50	819,000	5.31	11.16	0.22	0.55	0.07	140,000	294,000	1,802,000	4,505,00	573,0
3.00	696,000	5.76	11.65	0.23	0.56	0.07	129,000	261,000	1,601,000	3,898,00	487,0
3.50	572,000	6.31	11.97	0.23	0.57	0.08	116,000	220,000	1,316,000	3,260,00	458,0
4.00	458,000	6.95	11.97	0.23	0.55	0.08	102,000	176,000	1,053,000	2,519,00	366,0
4.50	391,000	7.42	12.45	0.23	0.57	0.08	93,000	157,000	899,000	2,229,00	313,0
5.00	328,000	7.94	12.75	0.23	0.57	0.09	84,000	134,000	754,000	1,870,00	295,0

San José de Gracia Veins - Inferred Resource											
Cut-off (Au g/t)	**Tonnes > Cut-off (tonnes)**	**Grade > Cut-off**					**Contained Metal**				
		Au (g/t)	**Ag (g/t)**	**Cu (%)**	**Zn (%)**	**Pb (%)**	**Ozs. Au**	**Ozs. Ag**	**Kg Cu**	**Kg Zn**	**Kg Pb**
0.50	6,999,000	4.54	9.74	0.20	0.15	0.03	1,020,00	2,192,000	13,998,0	10,499,	2,100,00
1.00	6,850,000	4.62	9.87	0.20	0.15	0.03	1,017,00	2,174,000	13,700,0	10,275,	2,055,00
1.50	6,536,000	4.78	10.04	0.20	0.16	0.03	1,004,00	2,110,000	13,072,0	10,458,	1,961,00
2.00	**5,812,000**	**5.16**	**10.26**	**0.21**	**0.16**	**0.03**	**963,000**	**1,917,000**	**12,205,0**	**9,299,0**	**1,744,00**
2.50	5,125,000	5.55	10.49	0.22	0.17	0.03	914,000	1,728,000	11,275,0	8,713,0	1,538,00
3.00	4,387,000	6.02	10.80	0.23	0.16	0.03	849,000	1,523,000	10,090,0	7,019,0	1,316,00
3.50	3,750,000	6.49	11.03	0.23	0.16	0.03	783,000	1,330,000	8,625,00	6,000,0	1,125,00
4.00	3,190,000	6.97	11.42	0.24	0.16	0.03	715,000	1,171,000	7,656,00	5,104,0	957,000
4.50	2,608,000	7.58	12.10	0.25	0.17	0.03	636,000	1,015,000	6,520,00	4,434,0	782,000
5.00	2,125,000	8.23	12.99	0.27	0.18	0.04	562,000	887,000	5,738,00	3,825,0	850,000

This total inferred resource is subdivided into the four Vein systems in the Tables below. Note the combined tonnages, ounces and kgs of the various individual veins may not total exactly with the table above due to round off errors.

Tres Amigos Veins - Inferred Resource											
Cut-off (Au g/t)	Tonnes > Cut-off (tonnes)	Grade > Cut-off					Contained Metal				
		Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)	Pb (%)	Ozs. Au	Ozs. Ag	Kg Cu	Kg Zn	Kg Pb
0.50	2,079,000	4.70	10.10	0.24	0.41	0.06	314,000	675,000	4,990,00	8,524,00	1,247,00
1.00	2,079,000	4.70	10.10	0.24	0.41	0.06	314,000	675,000	4,990,00	8,524,00	1,247,00
1.50	2,019,000	4.81	10.21	0.24	0.41	0.06	312,000	663,000	4,846,00	8,278,00	1,211,00
2.00	**1,811,000**	**5.16**	**10.62**	**0.25**	**0.41**	**0.06**	**300,000**	**618,000**	**4,528,00**	**7,425,00**	**1,087,00**
2.50	1,590,000	5.57	11.03	0.25	0.43	0.06	284,000	564,000	3,975,00	6,837,00	954,000
3.00	1,286,000	6.23	11.35	0.24	0.44	0.06	258,000	469,000	3,086,00	5,658,00	772,000
3.50	1,076,000	6.82	11.26	0.23	0.43	0.06	236,000	390,000	2,475,00	4,627,00	646,000
4.00	901,000	7.43	11.56	0.23	0.43	0.07	215,000	335,000	2,072,00	3,874,00	631,000
4.50	757,000	8.03	12.06	0.23	0.45	0.07	195,000	294,000	1,741,00	3,407,00	530,000
5.00	649,000	8.58	12.47	0.23	0.49	0.07	179,000	260,000	1,493,00	3,180,00	454,000

San Pablo Veins - Inferred Resource											
Cut-off (Au g/t)	Tonnes > Cut-off (tonnes)	Grade > Cut-off					Contained Metal				
		Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)	Pb (%)	Ozs. Au	Ozs. Ag	Kg Cu	Kg Zn	Kg Pb
0.50	2,192,000	5.64	11.91	0.26	0.04	0.01	397,000	839,000	5,699,	877,000	219,000
1.00	2,115,000	5.81	12.16	0.27	0.04	0.01	395,000	827,000	5,711,	846,000	212,000
1.50	1,989,000	6.10	12.44	0.28	0.04	0.01	390,000	796,000	5,569,	796,000	199,000
2.00	**1,827,000**	**6.49**	**12.80**	**0.29**	**0.04**	**0.01**	**381,000**	**752,000**	**5,298,**	**731,000**	**183,000**
2.50	1,666,000	6.90	13.27	0.30	0.04	0.01	369,000	711,000	4,998,	666,000	167,000
3.00	1,541,000	7.23	13.63	0.31	0.04	0.01	358,000	675,000	4,777,	616,000	154,000
3.50	1,400,000	7.63	14.05	0.32	0.04	0.01	344,000	632,000	4,480,	560,000	140,000
4.00	1,272,000	8.02	14.44	0.33	0.04	0.01	328,000	591,000	4,198,	509,000	127,000
4.50	1,143,000	8.45	14.78	0.34	0.04	0.01	310,000	543,000	3,886,	457,000	114,000
5.00	1,026,000	8.87	15.09	0.35	0.04	0.01	293,000	498,000	3,591,	410,000	103,000

La Union Veins - Inferred Resource											
Cut-off (Au g/t)	Tonnes > Cut-off (tonnes)	Grade > Cut-off					Contained Metal				
		Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)	Pb (%)	Ozs. Au	Ozs. Ag	Kg Cu	Kg Zn	Kg Pb
0.50	1,154,000	3.55	11.24	0.14	0.04	0.02	132,000	417,000	1,616,000	462,000	231,000
1.00	1,134,000	3.60	11.37	0.15	0.04	0.02	131,000	415,000	1,701,000	454,000	227,000
1.50	1,114,000	3.64	11.47	0.15	0.04	0.02	130,000	411,000	1,671,000	446,000	223,000
2.00	**909,000**	**4.06**	**11.37**	**0.17**	**0.04**	**0.02**	**119,000**	**332,000**	**1,545,000**	**364,000**	**182,000**
2.50	743,000	4.47	10.95	0.19	0.05	0.03	107,000	262,000	1,412,000	372,000	223,000
3.00	614,000	4.84	11.33	0.20	0.06	0.03	96,000	224,000	1,228,000	368,000	184,000
3.50	489,000	5.25	11.63	0.21	0.07	0.04	82,000	183,000	1,027,000	342,000	196,000
4.00	379,000	5.68	11.98	0.22	0.08	0.04	69,000	146,000	834,000	303,000	152,000
4.50	267,000	6.29	12.74	0.23	0.09	0.05	54,000	109,000	614,000	240,000	134,000
5.00	194,000	6.88	14.17	0.24	0.12	0.06	43,000	88,000	466,000	233,000	116,000

La Purisima Veins - Inferred Resource											
Cut-off (Au g/t)	Tonnes > Cut-off (tonnes)	Grade > Cut-off					Contained Metal				
		Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)	Pb (%)	Ozs. Au	Ozs. Ag	Kg Cu	Kg Zn	Kg Pb
0.50	1,574,000	3.50	5.15	0.08	0.05	0.02	177,000	261,000	1,259,000	787,000	315,000
1.00	1,522,000	3.59	5.27	0.08	0.05	0.02	176,000	258,000	1,218,000	761,000	304,000
1.50	1,414,000	3.77	5.27	0.08	0.05	0.02	171,000	240,000	1,131,000	707,000	283,000
2.00	**1,266,000**	**4.01**	**5.31**	**0.08**	**0.06**	**0.02**	**163,000**	**216,000**	**1,013,000**	**760,000**	**253,000**
2.50	1,128,000	4.23	5.33	0.08	0.06	0.02	153,000	193,000	902,000	677,000	226,000
3.00	945,000	4.51	5.10	0.09	0.05	0.01	137,000	155,000	851,000	473,000	95,000
3.50	784,000	4.77	4.96	0.09	0.05	0.01	120,000	125,000	706,000	392,000	78,000
4.00	638,000	5.01	4.86	0.09	0.05	0.01	103,000	100,000	574,000	319,000	64,000
4.50	441,000	5.34	4.86	0.10	0.04	0.01	76,000	69,000	441,000	176,000	44,000
5.00	256,000	5.77	5.03	0.11	0.03	0.01	47,000	41,000	282,000	77,000	26,000

The additional drilling completed on the San José de Gracia property during 2010-11 has increased the tonnage and contained metal for the property based on a comparison with the results reported in Cuttle and Giroux, 2010 (refer to Tabulation below). The Tres Amigos Vein now has an indicated resource of 913,000 tonnes averaging 5.0 g/t Au, 10.7 g/t Ag, 0.21 % Cu and 0.54 % Zn and 0.07 % Pb at a 2.0 g/t Au cut-off. The inferred resource in the Tres Amigos tripled in tonnage and has a higher average grade for Au, Ag and Cu at a 2.0 g/t Au cut-off. At the San Pablo vein, the tonnage at a 2.0 g/t Au cut-off increased 79% while the grade dropped for Au and Ag. This resulted in an increase in contained Au, Ag and Cu. At the La Purisima vein the tonnage at a 2.0 g/t Au cut-off increased 16% while the grade of Au, Ag and Zn decreased resulting in a slight increase in contained Au, Ag, Cu and Zn. At the La Union vein at a 2.0 g/t Au cut-off, the tonnage increased by 24% and grades for Au, and Ag increased.

The overall results from the additional drilling showed an increase in Indicated resource from zero in 2009 to 913,000 tonnes averaging 5.0 g/t Au, 10.7 g/t Ag, 0.21 % Cu, 0.54 % Zn and 0.07% Pb at a 2.0 g/t Au cut-off in 2011. In the inferred resource there was an overall increase of 2,371,000 tonnes above a 2.0 g/t Au cut-off with resulting increases in contained Au (345,000 ozs) and Ag (808,000 ozs).

All Resource Classifications

Vein	Year	Cut-off Au (g/t)	Class	Tonnes > Cut-off (tonnes)	Grade > Cut-off				Million Ozs. Au	Million Ozs. Ag
					Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)		
Tres Amigos	2009	2.00	Indicated	0						
	2011	2.00	Indicated	913,000	5.00	10.72	0.21	0.54	0.147	0.315
Tres Amigos	2009	2.00	Inferred	600,000	4.13	9.19	0.19	0.69	0.080	0.177
	2011	2.00	Inferred	1,811,000	5.16	10.62	0.25	0.41	0.300	0.618
San Pablo	2009	2.00	Inferred	1,023,000	8.84	14.26	0.28	0.06	0.291	0.469
	2011	2.00	Inferred	1,827,000	6.49	12.80	0.29	0.04	0.381	0.752
La Purisima	2009	2.00	Inferred	1,087,000	4.48	6.01	0.07	0.09	0.157	0.210
	2011	2.00	Inferred	1,266,000	4.01	5.31	0.08	0.06	0.163	0.216
La Union	2009	2.00	Inferred	731,000	3.89	10.72	0.29	0.07	0.091	0.252
	2011	2.00	Inferred	909,000	4.06	11.37	0.17	0.04	0.119	0.332
All Veins	2009	2.00	Inferred	3,441,000	5.59	10.02	0.20	0.18	0.618	1.109
	2011	2.00	Inferred	5,813,000	5.16	10.26	0.21	0.16	0.963	1.917

Exploration and Development

The latest diamond drilling program was completed during the second quarter of 2011 with results very much in line with the previous grades and widths. The San Pablo shoot showed positive results and has been delineated to a configuration approximately 550 metres down plunge, 170 metres along strike and a true width averaging approximately five metres. The Tres Amigos shoot is approximately 800 metres along strike on the same structure to the northeast and is currently open down plunge and showing larger dimensions than San Pablo. Two other shoots at Purisima and La Union show positive results and are open in several directions.

The Company released an updated technical report dated effective September 5, 2011, which was prepared by Jim Cuttle, P.Geo. and Gary Giroux, P.Eng of Giroux Consultants Ltd., each an independent qualified person under NI 43-101. The technical report significantly increased the Company's mineral resource estimate at San José de Gracia, establishing indicated mineral resources at the Tres Amigos vein of 147,000 ounces of gold, and growing inferred mineral resources at all four veins from 618,000 to 963,000 ounces of gold, representing an increase of 56%. The previous technical report dated February 28, 2011, estimated solely inferred mineral resources.

On February 15, 2012, DynaUSA announced that it had received the results of a different mineral resource estimate for the San José de Gracia project (the "DynaUSA Estimate"). The DynaUSA Estimate included aggregate indicated mineral resources at Tres Amigos of 892,534 tonnes, with an average grade of 4.46 g/t, totalling 127,921 oz/Au, and at San Pablo of 1,307,509 tonnes, with an average grade of 6.52 g/t, totalling 274,171 oz/Au, and aggregate inferred mineral resources of 3,953,143 tonnes, with an average grade of 5.83 g/t, totalling 740,911 oz/Au. The DynaUSA Estimate includes a higher volume of indicated mineral resources as compared to the mineral resources estimate contained in the technical report released by the Company. Mr. Cuttle and Mr. Giroux, the independent qualified persons who prepared the technical report released by the Company, do not agree with the differing results contained in the DynaUSA Estimate.

Upon reaching an agreement with DynaUSA, the current mineral resource estimate is expected to be used to support a future preliminary economic assessment for mining. The Company is targeting a mineral resource estimate sufficient to sustain and initial production level of 50,000 ounces in its first year of production growing in its second year and onwards to 100,000 ounces of annual gold production.

Status of Project

Management has had discussions with DynaResource, Inc. ("DynaUSA") to determine how to proceed with this project.

The Company continues to assess available alternatives for the future development of the San José de Gracia project. Until such time as a development strategy and financial plan for the San José de Gracia project can be agreed to with the other 50% shareholder of DynaMexico, DynaUSA, the Company's financial support to fund further exploration and development activities is currently on hold. Development activities will be limited and the costs of maintaining the project are expected to be nominal. This decision supports the Company's strategy to focus its resource on the accelerated development of the Caballo Blanco project.

To advance this project additional financing will be required.

4.3.3 Cerro Colorado Mine

Unless otherwise stated, information of a technical or scientific nature related to the Cerro Colorado Project contained in this annual information form is summarized or extracted from the technical report entitled "Independent Technical Report, Cerro Colorado Gold Mine, Sonora Mexico" dated March 15, 2010, as amended February 28, 2011 (the "Cerro Colorado Technical Report"), which is compliant with NI 43-101. The Cerro Colorado Technical Report was prepared by prepared by Michelle Stone, Ph.D., P.Geo. For a complete description of assumptions, qualifications and procedures associated with the information in the Cerro Colorado Technical Report, reference should be made to the full text of the Cerro Colorado Technical Report, which is available under Goldgroup's profile on SEDAR at www.sedar.com.

The Cerro Colorado Gold Mine is located in northern Sonora, Mexico. The Company owns 100% of the Cerro Colorado mine through its Mexican operating company Granmin S.A. de C.V. ("Granmin Mexico"). The property consists of six mineral concessions covering the area of the mine and 44 concessions in the immediate vicinity of the mine totalling 33,767.2 hectares. Cerro Colorado is owned by Goldgroup through its Mexican operating company Granmin S.A. de C.V. ("Granmin Mexico").

Three pits are currently operating: Harris, Breccia Central and Obra X. Exploration drill programs have been completed each year since 2006. At the Cerro Colorado gold mine the Company produced 20,361 ounces of gold during the year ended December 31, 2011, compared to 20,187 ounces of gold during the full year ended December 31, 2010. On an RTO basis, the mine produced 12,693 ounces of gold for the period May 1, 2010 to December 31, 2010. The Company expects to produce 20,000 ounces of gold for the year ending December 31, 2012.

Michelle Stone, Ph.D., P.Geo. of Caracle Creek International Consulting Inc. ("CCIC") prepared an independent technical report compliant with NI 43-101, entitled "Independent Technical Report, Cerro Colorado Gold Mine, Sonora Mexico" (the "Report") dated March 15, 2010, as amended February 28, 2011, for the Cerro Colorado Mine.

As a result of a review by the British Columbia Securities Commission, Goldgroup issued a news release on March 1, 2011 to clarify its public disclosure to that date with respect to Cerro Colorado. The clarified disclosure with respect to the Cerro Colorado Mine was being made in connection with the public financing completed in March, 2011 and represented items that were in the Company's disclosure record prior to the Company's reverse take-over of Sierra Minerals Inc. completed in April 2010.

The technical report entitled "Independent Technical Report, Cerro Colorado Gold Mine, Sonora Mexico" prepared by Michelle Stone, Ph.D., P.Geo., with an effective date of April 29, 2009 and a submission date of March 15, 2010 (the "Cerro Colorado Report"), incorrectly referred on page 26 to "known reserves". The Cerro Colorado Report also stated on page 91 that "Mineral reserves have not yet been calculated from the 2009 resource estimates" and stated on page 103 that "Mineral Reserves have not been calculated". The reference to "known reserves" on page 26 was in error.

In addition, the Cerro Colorado Report incorrectly referred at page 111 to a life of mine analysis (the "Estimate-Valuation") which was extracted from an estimate valuation report prepared by Evans & Evans Inc. dated July 6, 2009. The Estimate-Valuation is not an economic analysis compliant with NI 43-101 and therefore could not be relied upon by the author of the Cerro Colorado Report. Readers of the Cerro Colorado Report should not rely upon the Estimate-Valuation. The reference to "known reserves" on page 26 and references to the Estimate-Valuation were retracted.

Current Status

The Company owns a 100% interest in the Cerro Colorado mine, located in northern Sonora, Mexico. The property consists of six mineral concessions covering the area of the mine and 44 concessions in the immediate vicinity of the mine totalling 33,767 hectares. Gold is produced in doré in Mexico and then shipped to a refiner in the United States for final processing prior to sale. The project is subject to a NSR royalty of 3%. The remaining life of the in-pit resource at Cerro Colorado mine is currently estimated by Goldgroup to be approximately 18 months. Goldgroup expects that the heap leach operation will continue to produce gold for an extended period of time.

There have been challenges at the mine resulting from uncertainty around the mine plan and the complex ore body. The number of mineable ounces of gold has decreased significantly according to our latest independent economic assessment. Throughout the last year, the grade has dropped, the stripping ratio has increased and the recoveries fluctuated dramatically. Management continues exploration to extend the life of the mine. Future operations are expected to require no additional funding and nominal capital expenditures and exploration.

An impairment charge totalling $8,600,000 was recorded against the Cerro Colorado mine. The impairment was proportionately charged against the carrying value of the mine for $4,650,000 and plant and equipment for $3,950,000. The trigger for the impairment test was the result of changes to the mine plan resulting from an independent economic assessment which estimated at the current production levels, the remaining life of the mine would be a range approximately 18 months from January 1, 2012.

There is currently no compliant economic analysis for the Cerro Colorado mine and no mineral reserves have been estimated. An updated technical report is currently being prepared and will be filed in the second quarter of 2012.

Status of Operations and Outlook

At the Cerro Colorado gold mine, the Company produced 20,361 ounces of gold during the year ended December 31, 2011.

Upon review of the updated economic analysis, a moderate level of exploration will be conducted at the mine and surrounding areas with the assistance of Goldgroup's consulting geologist, Dr. Roger Newell.

During 2011, the Company focused its efforts at the mining operations on:

- Conducting exploration drilling outside the current pit limits.
- Completing construction of a new leach pad.
- Purchasing two 773C used haul trucks, a 992 used loader and a used 988F loader to improve production reliability.
- Improving the secondary crusher to optimize the aggregate flow to the main crusher. These improvements made it possible for considerably higher tonnes per day average of crushed material onto the main leach pad.

- Purchasing a new larger diameter water pipe line to supply more water to the leach pad to improve recoveries of gold.
- Hiring a new maintenance manager to help with improving the efficiency of the truck fleet and to make operations more efficient.
- Repairing several items in the plant-refinery to allow the mine to continue producing gold efficiently with the potential for more ounces at lower grades.
- Hiring a consulting geologist, Dr. Roger Newell, who has considerable expertise in Sonora Mexico, to work with our geologists at the mine and surrounding area.

The following description of the Cerro Colorado Mine has been summarized, in part, from the Report and readers should consult the Report to obtain further particulars regarding the Cerro Colorado Mine. The Report is available for review on SEDAR at www.sedar.com under Goldgroup's profile.

Property Description and Location

The Cerro Colorado Property ("Property") is located in the Trincheras municipality in the State of Sonora, Mexico, consisting of 49 concessions, with one title pending (Nuevo Gran Valle Fracción 4). The total land area held by Goldgroup is approximately 33,767 hectares (including the pending title of five hectares). The location of a concession is determined from the position of a single claim monument ("mojonera"). The corners are all located based on surveyed distances and bearings from that monument by a registered Mexican Mineral Concession Surveyor.

The mine area itself is covered by six contiguous concessions and these concessions are the focus of this Report. The Property is wholly owned by Goldgroup through Granmin Mexico, their Mexican operating company. In 2008, the Company was required to pay approximately $11,000 in taxes in two equal instalments during the year to maintain the concessions. Similar amounts were paid in subsequent years.

The Property encompasses several gold-bearing veins associated with faults that cross-cut a rhyolite dome. Open pit operations have developed in five areas: Abejas, Breccia Central, Harris, Obra X and Sorpresa. The Breccia Central, Harris and Obra X pits are currently operational. Waste piles and two heap leach pads are located adjacent to the active mining area. Baseline environmental studies were reported in 2001 and updated in 2003. Additional reporting as required for various mining and environmental permits has been made. More recently, permits have been sought and granted to accommodate the continued development and expansion of the mine.

Reports provided to SEMARNAT document expansion details, environmental impacts of the expansion, plans to relocate rare plants and animals, and eventual reclamation. These reports have been accepted by SEMARNAT and permits have been granted to complete this work. Goldgroup holds eight different permits with regards to the mining operations at Cerro Colorado. At the time the Report was drafted, no environmental liabilities or outstanding permits were associated with the Property.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Cerro Colorado mine can be accessed via Federal Highway 2 between Altar and Santa Ana to the kilometre 42 marker, then 22 kilometres south by paved road to Trincheras. The property is located 37 kilometres southwest of Trincheras along a maintained gravel road with no drainage improvements. The mine site grader blades this road as needed. The nearest major airports are located in Hermosillo, the capital of Sonora, or in Tucson, Arizona, USA. Travel time from either of these airports to the Property is approximately four hours.

Cerro Colorado is located in the Sonoran Desert west of the Sierra Madre Occidental mountain range. The climate is typified by mild winters and hot summers. A primary rainy season occurs from July to October, with a second rainy season occurring during the winter months. Mining at Cerro Colorado is continuous throughout the year, although minor delays and/or shut downs associated with periods of intense/excessive rainfall could occur. The project area occurs within the Sonoran Desert physiographic sub-province and in general exhibits a relatively flat topography. However, in the immediate mine area, hills reach up to approximately 170 metres in relief. Vegetation is sparse and consists primarily of cacti and low thorny shrubs (mesquite). Surface water is rare but ground water is readily available. Arroyos and washouts are common.

All services including rail are available at Trincheras. Electricity, satellite communications and water are available at the mine site. Federal Highway 2 is paved and serves as a major transportation route in Sonora. A labour pool, familiar with modern mining practices, is present in the area. The mine site maintains several buildings on site that include various offices, the on-site laboratory, plant and maintenance facility, and a small camp. The crushing facilities and heap leach pads, waste areas and tailings ponds are centrally located adjacent to the pits. There is sufficient room on the Property to expand these facilities, pads, dumps and ponds if required. Electrical power is supplied by on-site generators. There are three generators on-site for power supply. The 500 kilowatt generator is the primary generator, backed up by a 350 kilowatt generator. If necessary the third generator that powers the crusher (also 350 kilowatt), can be used to power the site and keep the process operations functioning.

The Company entered into a lease agreement in 2006 with Mr. Arturo Bayardo of Sonora, Mexico, the owner of a nearby water well, for exclusive rights to use water from the well in the operations of the Cerro Colorado mine. No rental fees are charged or payable under this agreement. The lease has an indefinite term which runs until the cessation of mining activities at Cerro Colorado. Fees payable to the Mexican government based on water consumption are solely the responsibility of the Company during the term of the lease. Upon expiry of the lease, ownership and all rights of use relating to the well revert back to Mr. Bayardo. Water is pumped to the mine site from the well, which is located approximately 12.5 kilometres to the west of the mine. This well is capable of pumping 65 litres per second and is of sufficient quantity to meet water requirements at the mine site. Wells located closer to the mine are only capable of supplying water for single family dwellings for the area ranchers and are not feasible alternatives for the mine site.

History

The principal period of mining activity at Cerro Colorado occurred during the late 1800s to early 1900s. Both hard rock and dry placer operations were conducted during this period. Limited underground work is believed to have taken place during the 1920s and 1930s. Within the district small scale dry placer operations have continued intermittently to the present. The extent of past workings indicates that approximately 100,000 tonnes of high-grade gold-bearing rock was mined at Cerro Colorado. This production from underground mining and placer workings is estimated to have recovered approximately 50,000 ounces of gold.

The property was explored by Contratista Tormex ("Tormex") during the early 1970s. They calculated that there were 1,000,000 tonnes of reserves at a grade of 2.6 grams per tonne gold in the Harris breccia from extensive underground sampling. Tormex estimated an indicated resource, which includes the above reserve, of 3.5 to 4.0 million tonnes at a grade of 2.6 grams per tonne gold. These resources and reserves are historic, are not current, have not been verified by CCIC and should not be relied upon. In 1983 and 1984, Papanton Minas S.A. de C.V. and BP Minerals explored the area in a joint venture. A total of 25 holes, eight diamond and 15 rotary, totalling 3,984 metres were drilled in a widely spaced pattern over the property.

In 1989-1990 Compañía Fresnillo, S.A. ("Fresnillo") explored the Property. Fresnillo explored the entire district and developed a target of 8.1 million tonnes at 2.0 grams per tonne gold. The project potential of 525,000 ounces of gold was not deemed large enough for Fresnillo, an Amax-Peñoles joint venture, and the project was turned back to its underlying landowners. Laramide Resources Ltd. optioned the Property in 1995 and carried out the first mapping and sampling program in November and December of that year. This was followed by drilling 23 holes on accessible targets in February of 1996.

Results of this work were encouraging and work continued through 1996 and most of 1997 with geologic mapping, surface and underground chip sampling, soil sampling and two additional phases of reverse circulation ("RC") drilling. In April 2000 Minera Secotec S.A. de C.V. ("Sectoc") began a preliminary feasibility study to determine the economic viability of the Project. This work consisted of rock chip sampling of the old workings, exposed breccia outcrops, infill drilling on 25 metre x 20 metre centres on the Sorpresa ore body, and column leach testing of the mineralized intercepts using the Laramide drill chips and dump material left at the surface during the old mining operations. Secotec also completed rock chip sampling confirming the values encountered during the Laramide and Tormex exploration programs. In-fill drilling on the Sorpresa ore body consisted of 26 vertical percussion drill holes on section lines spaced 25 metres apart. Gold mineralization was encountered in 21 of the 26 holes drilled, in zones of altered and hematized rhyolite, rhyolite breccia and sometimes a few metres into the underlying limestone. The drilling confirmed and expanded the original Laramide drilling and outlined a mineralized zone which is roughly lenticular in shape, plunging easterly into the main Cerro Colorado hill and containing an estimated resource of 487,000 tonnes at 1.54 grams per tonne gold. This resource estimate is historic, not current, has not been verified by CCIC and should not be relied upon.

Geological Setting

Regional Geology

Sonora is comprised of three main physiographic provinces. These provinces trend approximately north-south, parallel to the Sierra Madre Occidental and include the Basin and Range Province (of which the project is a part), the Transitional zone and the High Plateau (Sierra Madre Occidental). In the western portion of the state (west of Federal Highway 15) the Basin and Range Province of the western United States continues into Sonora. In Sonora, the Basin and Range Province consists of widely spaced mountain ranges, the result of mid-to-late Tertiary high-angle listric faults or earlier low-angle (detachment) faulting. These ranges contain a majority of the older Precambrian and Mesozoic rocks found in the state. The majority of the gold systems in this province have a structural component involving a combination of high and low-angle faulting (e.g. La Choya, Cerro Colorado and Quitovac).

Local and Property Geology

There are two main rock types in the district, Proterozoic sedimentary units and gneisses. Two principal structural styles - detachment/low angle faulting and higher angle Basin and Range normal faulting are also present. Many of the basins in the district are covered by mid-to-late Tertiary indurated conglomerates. Tertiary volcanic/intrusive complexes, like Cerro Colorado, are rare in this part of Mexico.

The geology of the Cerro Colorado area consists of Precambrian basement rocks overlain by Paleozoic sedimentary rocks and intruded by Tertiary rhyolite and rhyolite breccia. Gold mineralization accompanies strong hematization and argillization in the rhyolite breccia, fractured rhyolites and porphyries and in fault breccias within the limestone. This mineralization formed by late stage emplacement into the rhyolite and nearby sedimentary rocks, with the best gold concentrations forming near the intersections of deep open fractures through porous or reactive host rocks and commonly below a confining cap or along a flat fracture. One of these faults, the La Cienega Fault, is a regional structure running northeast across the northwest end of the Harris and Breccia Central ore bodies. Most of the central portion of Cerro Colorado, generally above the 700 metre contour, is composed of sterile cap rhyolite. This rock, which has a uniform light beige tone, is finer grained and lacks the quartz eyes of the porphyry. The rocks of this unit are softer in outcrop, forming moderate slopes covered by loose blocks. It has a fine grained exture and well developed flow banding with a steep south-westerly dip. An important feature of this rock is a strong joint set dipping flatly to the east or east south east. These joints are interpreted to have directed the explosive breccia and mineralizing fluids upslope westward, where they blew out of what is now the western end of the hill.

Exploration

Goldgroup holds approximately 34,000 hectares of mineral exploration concessions within a 30 kilometre radius of Cerro Colorado. Breccia-type targets within and along the margin of the Cerro Colorado dome complex served as both conduits for the migration of ore-bearing solutions and sites for the deposition of gold mineralization. Gold mineralization is also found adjacent to or within structures in zones of intense argillic alteration and silica flooding. Both styles of mineralization are exposed and have been exploited in the past. At present, the known ore bodies at Cerro Colorado appear to be associated with the rhyolite/gneiss contact, the rhyolite/limestone contact and the La Cienega fault. Mineralization can be traced in outcropping brecciated rhyolite, generally within 200 metres of the basement gneiss contact, from Sorpresa to the Harris ore body through Abejas and the southeast breccia zone to Obra X, a distance of 1,300 metres.

The mineralized Sorpresa zone can be traced in outcrop to the northeast into contact with the western end of the Breccia Central ore body. This zone (approximately 150 metres wide) is situated in the footwall of the La Cienega fault and extends for 700 metres from the present back wall of the Sorpresa open pit to the north side of the main hill and contains scattered old prospecting and mining pits in mineralized breccia. Another large area of rhyolite breccia, approximately 100 metre x 300 metre outcrops in the northwest corner of the rhyolite dome complex, in contact with the limestone at Hematita Hill. Hematita Hill contains numerous pits and shafts from previous mining of mineralized zones within the limestone bedding planes. These hematitic zones are very similar to the mineralized zones in the limestone at Sorpresa and Plomosa and are a direct result of the intrusion of the Cerro Colorado rhyolite into the surrounding limestone. This area of brecciation is also coincident with anomalous gold in soils up to 3,000 parts per billion.

In addition to the areas described above, further potential exists in the high grade deep zone of the Breccia Central ore body. This zone has been traced by drilling east from Breccia Central for 150m under the high point of the main hill and is trending towards Obra X, a further 300 metres away. Several other mineralized breccia zones outcrop on the northern side of the main hill, some of which contain old prospecting pits. Recent exploration efforts focused on mapping pit benches at a scale of 1:500 and mapping in the Los Carlos, Judy and Oreros concessions, in particular, mapping of the rhyolite dikes in the Oreros concessions). The dike extends approximately 400 metres and is between 2 metres and 15 metres thick; it strikes between 205 degrees and 210 degrees and dips between 80 degrees and 88 degrees. Two additional dikes run parallel to the main dike. Samples were collected from trenches perpendicular to the dike (results have not been reported to date). Further areas mapped include Harris Sur, Abejas and Este de Abejas.

At Los Carlos, approximately 25 kilometres from Cerro Colorado, the main rock type is Early to Middle Proterozoic gneiss but minor biotite schist and rhyolite also occur. The rhyolite is characterized by intense fracturing and small quartz veins (particularly in the area of Rancho San Antonio). Average grades of 327 surface samples from this area returned a grade of 2.06 grams per tonne gold. Several pits are assumed to be more than 100 years old were found in the area of Rancho Los Polvaderas. At Los Polvaderas, Jurassic limestone hosts quartz veins. Three drill programs have been completed by the Company since it acquired the Project. Drill results are presented below. In total, 305 RC holes have been drilled in and around the mine and at surrounding prospects (e.g. Los Carlos). The third drill program, completed in 2008, was contracted to Majoro Drilling de Mexico, S.A. de C.V., a Mexican subsidiary of Major Drilling.

Mineralization

Gold is hosted by rhyolite and associated with hydrothermal alteration. Hematite is a dominant mineral in the altered zones. The main control appears to be the location of east-northeast steeply to moderately south dipping reverse fault zones. Northwest and north trending structures within the rhyolite are only significantly mineralized where they have been cut by the east-northeast trending structures (and vice-versa). These structures occur as either shallow east dipping features or moderate to steep east and west dipping features within the rock. The general plunge of the mineralization is shallowly eastward (primary plunge) with higher grade shoots occurring along the steeper structures (secondary plunge) within the overall shallow plunging zone. Considering all three of the structural constraints the mineralized bodies look like shallowly east plunging tabular shoots with secondary high grade tabular shoots nearly perpendicular to the overall trend of the zone. Three areas are currently mined at Cerro Colorado: Breccia Central, Harris and Obra X.

Breccia Central

The mineralization at Breccia Central falls within an area 300 metres long by 120 metres to 200 metres wide and is approximately 50 metres thick at the west end of the hill. From there it plunges eastward becoming narrower and richer with depth. In detail the easterly plunge appears to be controlled by cross faults stepping down to the east at approximately 20,440 metres east and 20,500 metres east. A pale green-white silicic, pyritic (+galena) feeder dyke appears to intrude from the north and carry high grades close under the barren cap.

Harris

Centered on the Harris mine in the southwest corner of the rhyolite complex, the Harris, Sorpresa, and Abejas zones are described together here. With additional drilling results they are expected to merge into a single pit area. Gold occurs in an altered rhyolite breccia and fractured rhyolite at Abejas and Harris, but at Sorpresa it also occurs in brecciated and replaced limey sedimentary rocks below the rhyolite. It is rarely found in the basement gneiss. The Plomosa and Hematita mineralization is generally located within bedding and fracturing within the limestone regionally associated with rhyolite intrusions.

Two main breccia bodies are known: Abejas which dips northward 20 metres to 40 metres above gneiss contact and Harris which dips southward and may intersect with the Abejas trend in the core of the Harris zone. The breccias occur above and between two regional faults which were probably active in the emplacement of the mineralization. The Plomosa – Sorpresa zone lies in limey sediment and rhyolite close to the contact between the two rock types, and 20 metres to 50 metres above the basement gneiss. Gold occurs in two or three apparently flat-lying zones in both volcanic and sedimentary rocks. Irregular mixing of rock types in a single drill sample suggests complex brecciation possibly accompanying the flat-lying faults.

Obra X

The mineralization at Obra X occurs through an area approximately 200 metres long by 20 metres to 30 metres wide and approximately 50 metres deep in its root zone. It lies close to surface through most of its extent, dipping shallowly southeastward parallel to the slope of the hill.

Drilling

The Company completed a RC drilling program of eight RC holes drilled outside the area of known resources in 2006. In a Phase II RC drilling program completed in 2007, the Company drilled 195 holes totalling 14,000 metres; 154 holes were resource and exploration holes while 41 holes were drilled to sterilize an area for the planned operations. During a third phase of exploration completed in June 2008, 102 RC holes totalling approximately 20,000 metres were drilled.

During 2010 and 2011 drilling was completed by open hole percussion rigs. There was a total of 23 holes drilled in 2010 for a total of 2,634 metres and 288 holes drilled in 2011 for a total of 29,731 metres. The 2010 and 2011 programs did not significantly expand gold mineralization beyond the existing mining areas. Additional target areas remain to be drill tested in the area of the Cerro Colorado mine.

Sampling and Analysis

Production holes are drilled using a track mounted blast hole rig, whereas exploration drilling is done by various types of RC rigs depending on the depths of the drill program or the drilling conditions and access. The blast-hole sample is deposited in a cone around the hole. The entire sample is collected and put through a riffle splitter. Half of the sample is split into a plastic bag. The bag is labelled according to the drill rig number and the bench from which the sample was collected and assigned a sample number by the Geology Department. The sample information is recorded in a sample notebook and collected from the drill site by the Geology Department. A 100 mesh sized sub-sample is removed from each bag, washed and the chips stored in a numbered box. This material is used later for rock description (rock type, alteration, mineralization, etc.).

Exploration samples are similarly split from 2 metres samples at the rig, labelled, and brought back to the mine site laboratory for preparation and analysis at the on-site lab, and for shipping to International Plasma Laboratory ("IPL") for independent verification of grade. Chip samples are also collected and stored for description. Once the chip samples are collected, standard reference material is inserted into the sample sequence and all samples are moved to the laboratory by the Geology Department for analysis.

When samples arrive from the open pit (blast-hole samples) or from the exploration site, each sample is catalogued on a laboratory sample list where a unique laboratory number is assigned to each sample. The Geology Department sample number is also recorded. The samples are then transferred to the preparation area inside the laboratory where the sample is crushed to -1/2 inches. If the sample does not require this first step of crushing it is directly passed through a fine grinder (-10 mesh). The sample is then homogenized and split into 200 gram aliquots. One aliquot is transferred to a sample tray and dried in a drying oven to eliminate the moisture before being pulverized for one minute. The sample is weighed and mixed with a lead flux and heated for one hour at 1,832 degrees Celcius. The molten sample is poured into an iron container where the molten product separates from the slag. The molten product is placed in a pre-heated cupel for cupellation. The temperature of cupellation is 1832 degrees Celcius; 98% of the lead is absorbed by the cupel and 2% is volatilized.

Until recently quality assurance and quality control ("QAQC") procedures were not utilized on site and the QAQC procedures of IPL were solely relied upon. Commercially prepared standards and blanks are now being analyzed with each sample batch at the on-site laboratory in addition to duplicate pulp samples. However, where they have been analyzed the data shows a reasonable level of accuracy and precision. The QAQC procedures still require improvement and need to be updated to current industry standards including routine analysis of variable grade gold standards, blanks and duplicates.

Limited QAQC samples have been analyzed at Cerro Colorado despite the large number of drill holes and samples collected to date. Despite the quantity of data, they show reasonable accuracy and precision and are suitable for resource estimation. Improvements need to be made to the QAQC procedures for exploration and blast hole drilling to bring them in line with current industry standards.

Mineral Reserve and Mineral Resource Estimates

The following tables set forth the resource estimate for the Cerro Colorado Mine and the results of the tonnage and grade estimation at various gold cut-off grades:

Estimated resources reported at a 0.25 grams per tonne gold cut-off for the Cerro Colorado Gold Mine. Tonnes are rounded to the nearest 1,000.

Classification	Tonnes (t)	Grams Per Tonne Gold	Ounces of Gold
Measured	107,	0.63	2,157
Indicated	9,599,	0.54	167,987
Measured + Indicated	9,706,	0.55	170,144
Inferred	5,599,	0.41	74,177

Tonnage and grade estimated at various gold cut-off grades. Base case highlighted.

	Measured			**Indicated**		
Cut-off Grade (grams per tonne gold)	Tonnes (000's)	Gold (grams per tonne)	Contained Gold (ounces)	Tonnes (000's)	Gold (grams per tonne)	Contained Gold (ounces)
0.20	157	0.50	2,520	12,369	0.47	187,899
0.25	107	0.63	2,157	9,599	0.54	167,987
0.30	89	0.70	1,994	7,602	0.62	150,422
0.40	73	0.78	1,815	5,142	0.75	123,171
	Measured + Indicated			**Inferred**		
Cut-off Grade (grams per tonne gold)	Tonnes (000's)	Gold (grams per tonne)	Contained Gold (ounces)	Tonnes (000's)	Gold grams per tonne)	Contained Gold (ounces)
0.20	12,526	0.47	190,419	8,575	0.35	95,533
0.25	9,706	0.55	170,144	5,599	0.41	74,177
0.30	7,691	0.62	152,416	3,810	0.48	58,468
0.40	5,215	0.75	124,986	1,936	0.61	37,772

The distribution of drilling completed on the Cerro Colorado deposit provides a reasonable basis for estimating the shape and distribution of the mineralization. However, there are limited drill intervals which have intersected higher grade gold mineralization, especially in the Breccia Central area. Appropriate QAQC has not yet been completed to verify these grades and the drilling is not sufficiently spaced to well define the extents of this mineralization. The approach to top cutting the composited drill hole sample grades prior to block grade estimation is therefore believed to be an appropriate method to dealing with sporadic high grade values that have not been confirmed with appropriate QAQC. Additional close-spaced drilling and grade confirmation is required to gain a better understanding of the nature of the high grade mineralization on the Cerro Colorado Property.

Mineral Reserves Estimation

Mineral reserves have not yet been calculated from the 2009 resource estimates for the Cerro Colorado Gold Mine.

Mining Operations

Mining Method

Open pit mining by the Company at Cerro Colorado commenced in 2003. The mining bench height is typically 5 metres. Ore is hauled directly to the cyanide leach pads in 50 tonne trucks or is crushed and then taken to the leach pads. The crushing plant consists of a primary and a secondary crusher. The primary crusher reduces the rock size from 12 inches to 4 inches. The secondary crusher consists of a screen deck that removes all material that meets production size. The remaining material is then crushed from 4 inch to as low as 1 inch. The final product is moved to the fine ore stockpile on conveyor belts, loaded by a front end loader and is periodically hauled by truck and integrated into the leach pads.

Metallurgical Process

The carbon flow circuits used to adsorb gold are gravity flow adsorption trains typically used in the mining industry. Gold is recovered by 30 carbon columns (set up in 8 circuits - 6 circuits of 4 columns for the new leach pad and 2 circuits of 3 columns for the old leach pad) with a NaOH atmospheric strip circuit. Each column contains 0.5 tonnes of carbon. The total amount of carbon on-line is 15 tonnes. The pregnant solution flows through each column via gravity. Eight thousand tonnes of solution can be processed per day (i.e., 1,000 tonnes per circuit). The desorption circuit has been expanded to 4 columns with the capability to expand further to 10 columns. A second propane boiler (1,250,000 btu) was installed in the second half of 2009 with both boilers capable of stripping 5 tonnes of carbon per day. The old electro-winning cells were also replaced by 75 cubic foot-sized cell boxes.

Production Forecast

Three pits are currently operating: Harris, Breccia Central and Obra X. Exploration drill programs have been completed each year since 2006. At the Cerro Colorado gold mine the Company produced 20,361 ounces of gold during the year ended December 31, 2011, compared to 20,187 ounces of gold during the full year ended December 31, 2010. On an RTO basis, the mine produced 12,693 ounces of gold for the period May 1, 2010 to December 31, 2010. The Company expects to produce 20,000 ounces of gold for the year ending December 31, 2012.

Markets

Gold doré is shipped from the Cerro Colorado Gold Mine to a third party refiner in the United States. Gold and silver are recovered by the refiner in bullion form while other metals such as lead and copper are discarded. Goldgroup sells the majority of its gold bullion to Auramet Trading LLC ("Auramet") based out of New Jersey, USA. Goldgroup has the ability to enter a sales agreement with Auramet and can receive payment as soon as the doré arrives at the refinery. Legal title to the gold is also transferred to Auramet at the same time that payment is made. Revenue is realized at this point. The final refining is completed ten business days after the doré arrives at the refinery. Any remaining unsold gold bullion and all of the silver bullion is then sold to the refiner on the completion (outturn) date. Goldgroup is not obligated to sell its product to any one buyer. It can establish other precious metals sales contracts if it so chose.

Contracts

All mining equipment including fixed and mobile equipment was purchased by Granmin. Fuel is purchased at local prices. In 2011 the Company used its own open hole percussion rig and also outsourced a second open hole percussion rig to Medoza Drilling (a local drilling company) and Major Drilling de Mexico, S.A. de C.V. at competitive rates. Granmin Mexico has a shipping contract with Servicio Pan Americano de Protección S.A. de C.V. where the product is shipped to Nogales, the main border city between Sonora, Mexico and Arizona, USA. At Nogales, the product is transferred to a Brinks Inc. ("Brinks") armoured vehicle. Brinks delivers the doré to a storage area in Tucson, Arizona, to await shipment to the refiner via air transportation. Granmin Mexico and Goldgroup have a refining contract with Metalor USA Refining Corporation, Massachusetts, USA. Granmin Mexico and Goldgroup have a Master Purchase Contract for the sale of precious metals with Auramet Trading, LLC, based out of New Jersey, USA. Goldgroup does not have any hedging contracts in place.

Environmental

The Cerro Colorado mine operating facilities have been designed to mitigate environmental impacts. To prevent and control spills and protect water quality, the mine utilizes multiple levels of spill containment procedures and routine inspection and monitoring of its facilities. The mine has installed air pollution control devices on its facilities consistent with legal requirements. The mine also has water reuse and conservation programs. The mine uses dust suppression techniques to mitigate the impact of dust. All activities at Cerro Colorado are in compliance in all material respects with applicable corporate standards and environmental regulations.

Taxation

The Mexican Congress, in plenary sessions held on October 31 and November 1, 2009, approved the tax reform bill for 2010. The corporate income tax rate is increased from 28% to 30% for the period from January 1, 2010 through December 31, 2012, and will then be scaled back to 29% in 2013, and finally back to 28% in 2014 and future years. Mexico has a value-added tax ("IVA") which is payable on goods and services but recoverable by Granmin Mexico after filing the appropriate documentation with the Mexican tax authorities. The IVA rate increased from 15% to 16% (from 10% to 11% in the border zone) on January 1, 2010. Certain limited term transition rules will apply.

Payback

The Cerro Colorado gold mine has been in operation since 2004. The initial capital cost has been recovered. Expenditures on ongoing capital projects such as the secondary crushing system are evaluated on an item by item basis. The expected payback on the crushing system is about one year.

Mine Life

The remaining life of the in-pit resource at Cerro Colorado mine is currently estimated by Goldgroup to be approximately 18 months. Goldgroup expects that the heap leach operation will continue to produce gold for an extended period of time.

A summary of key mining statistics for the year ended December 31, 2011 is as follows:

- The mine had mine operating income, net of depreciation, depletion, and amortization of $5,161,249 for 2011 compared to $480,006 in 2010.
- Production of 20,361 ounces of gold for 2011 compared to 20,187 during 2010.
- Average grade mined in 2011 was 0.53 g/t Au compared to 0.50 g/t Au in 2010.
- Recovery of gold in 2011 was 60% compared to 71% in 2010.
- Tonnes mined increased 22% to 7,045,667 in Q4 2011 compared to 5,785,915 in 2010.
- Cash cost per ounce of gold sold increased to $1,176 in 2011 from $1,055 in 2010.

The Company and its new consulting geologist, Roger Newell, will continue to conduct exploration work at the mine and surrounding areas. The Company is continuing to explore in and around the current pit to prove the inferred ore zones from the model and discover new zones in previously undrilled zones. The Company is using a second exploration drill under contract to the mine to assist with the drilling program and speed up the process.

Recent exploration drilling at Cerro Colorado has been successful in discovering a new mineralized zone under the south wall of the Breccia Central pit. The zone appears to strike parallel to the known mineralization within the area and is offset some 50m to the south of the main Breccia Central zone. Drilling and engineering assessment of the zone are ongoing to determine if the mineralization can be mined economically.

4.3.4 Other Exploration Projects

El Candelero Property

The Company's 100% owned subsidiary, GGR Candalero S.A. de C.V. ("GGR"), is earning up to 70% on the El Candelero project which consists of eight mineral concession claims covering 26,676 hectares and is located on the border of the States of Sinaloa and Durango, approximately 130 kilometres northeast of Mazatlan in central west Mexico. Exploration work on the property has been deferred due to local unrest in the area of the property since early 2009, causing the Company to be unable to fund the required work costs. As a result of the local unrest, in June 2010, the Company declared force majeure which currently is in effect to June 2012, as allowed under the option agreement. The required funding of work costs will resume once force majeure no longer exists.

Kenya Property

The Company owns a 90% interest in seventeen mineral concessions covering approximately 80,000 hectares in the state of Chihuahua, Mexico. Pursuant to an agreement executed December 18, 2007 and registered in the Mexican Public Register of Mines on June 30, 2008 (the "Kenya Agreement"), the Company maintains an interest in five additional mineral concessions in the area covering approximately 1,000 hectares. The Kenya Agreement has a four-year term ending on December 17, 2011. Under the Kenya Agreement, the Company has agreed to spend $1,000,000 over four years to develop the concessions. The Company may abort and terminate this agreement at any time upon 30 days' notice without further financial obligation. The Company may acquire an additional five concessions, located within the Kenya area, at any time during the term of the Kenya Agreement for an aggregate payment of $2,000,000.

During the fourth quarter of 2011, management decided that it was not going to continue exploration on this property. Accordingly, accumulated exploration costs of $932,198 to date were written off during the period.

El Cajon Property

The El Cajon project was acquired as part of the reverse take-over of Sierra. The Company retains a 100% interest in three concession groups with Minera MasOro S.A. de C.V. ("MasOro") located within the Cerro Colorado Gold Mine district. MasOro has retained a 2.5% NSR royalty on the entire concession group of which the Company can purchase back up to 1.5% for $500,000 per 0.5% NSR. In order to maintain these concessions in good standing, the Company must make an annual payment of $25,000 on November 1st of each year (2011 – paid).

On July 2, 2008, the Company through Granmin Mexico entered into an agreement with Hector Graham Soqui, ("Hector") to earn a 100% interest in 31 concessions in Sonora, Mexico. Under the terms of the agreement, Granmin Mexico was required to make certain monthly payments to Hector and Hector was required to provide certain documentation to Granmin Mexico during an evaluation phase. Following the completion of the evaluation phase, Granmin Mexico has the option of purchasing any or all of the concessions at pre-determined prices. Amounts paid during the evaluation phase by Granmin Mexico are creditable against the final purchase of any of the concessions. Property payments totalling $220,000 were made in 2008 and 2009. No payments have been made since then. The Company is currently awaiting Hector to fulfill its obligations under the agreement to conclude the evaluation phase. Any additional payments will be capitalized at the time of final purchase.

San Martin Property

The San Martin property comprises 2,790 hectares located in the western foothills of the Sierra Madre Occidental in the northern Sinaloa, Mexico. No work has been performed on this property since 2003. During the fourth quarter of 2011, management decided that it was not going to continue exploration on this property.

El Cobre Joint Venture

On February 5, 2010, the Company entered into a joint venture with Almaden Minerals Ltd. ("Almaden") on its El Cobre copper project, of which Almaden owned 60% and Goldgroup owned 40%. The Company contributed $200,000 to the project. The El Cobre property covers 5,700 hectares and is 65 kilometres north northwest of Veracruz, Mexico. On October 14, 2011 the Company transferred its 40% share of this project to Almaden as part of the acquisition of Almaden's 30% interest of Caballo Blanco.

ITEM 5
DIVIDENDS AND DISTRIBUTIONS

Although the Board of Directors of the Company (the "Board") is permitted to declare dividends on the common shares from time to time out of available funds, it is the current policy of the Board to reinvest any profits in the development and advancement of the Company's business. No dividends have been declared on the common shares in the three most recently completed financial years.

ITEM 6
DESCRIPTION OF CAPITAL STRUCTURE

6.1 General Description of Capital Structure

Authorized and Issued Capital

The Company is authorized to issue an unlimited number of common shares. As at March 30, 2012 the Company has 128,526,049 common shares issued and outstanding.

Common Shares

The holders of the common shares are entitled to dividends if, as and when declared by the Board, to one vote per share at meetings of common shareholders and, upon liquidation, to receive such assets as are distributable to the holders of the common shares.

Voting

The holders of common shares are entitled to receive notice of, attend and vote at any meeting of the shareholders of the Company. Each common share carries one vote per share.

Dividends

The holders of common shares are entitled to receive on a pro-rata basis such dividends as the Board from time to time may declare, out of funds legally available.

Rights on Dissolution

In the event of a liquidation, dissolution or winding up of the Company, or other distribution of its assets, the holders of the common shares have the right to receive on a pro-rata basis all of the assets of the Company remaining after payment of all of the Company's liabilities.

Pre-emptive, Conversion and Other Rights

No pre-emptive, redemption, sinking fund or conversion rights are attached to the common shares, and the common shares, when fully paid, will not be liable to further call or assessment. No other class of shares may be created without the approval of the holders of the common shares.

As at the Year Ended December 31, 2011, the Company also had the following options and warrants issued and outstanding:

- 11,486,848 common share purchase options with a weighted average exercise price of C$1.04 expiring at various dates to November 15, 2016.
- 2,000,000 common share purchase warrants with an exercise price of C$1.25, expiring on November 26, 2015.

6.2 CONSTRAINTS

The Company does not have any constraints imposed on the ownership of its securities to ensure that the Company has a required level of Canadian ownership.

6.3 RATINGS

The Company does not have any ratings for its securities from a rating organization.

ITEM 7
MARKET FOR SECURITIES

7.1 TRADING PRICE AND VOLUME

The common shares of the Company are listed for trading on TSX under the current trading symbol GGA. The following chart sets out the high and low trading prices, and volume of shares traded, for the period January 1, 2011 to December 31, 2011 for Goldgroup:

Trading Price and Volume for the Year 2011

Month	High $	Low $	Volume
January	1.37	1.06	8,784,325
February	1.60	1.32	15,043,234
March	1.67	1.16	9,684,948
April	1.57	1.29	9,024,978
May	1.52	1.15	4,179,300

Trading Price and Volume for the Year 2011

Month	High $	Low $	Volume
June	1.41	1.04	4,707,872
July	1.41	1.10	3,983,414
August	1.55	1.15	6,570,721
September	1.75	1.33	11,633,973
October	1.44	1.16	2,732,088
November	1.57	1.22	3,313,594
December	1.39	1.03	2,804,986

7.2 PRIOR SALES

There are no other classes of securities of the Company which are outstanding but not listed or quoted on a marketplace and therefore no prior sales to report.

ITEM 8
ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

As at March 30, 2012, none of the Company's issued and outstanding common shares were in escrow or subject to a contractual restriction on transfer.

ITEM 9
DIRECTORS AND OFFICERS

9.1 NAME, OCCUPATION AND SECURITY HOLDING

The following table sets forth for each of the directors and officers of the Company, their name, province/state and country of residence; their principal occupations or employment; a brief biographical description; the date on which they became directors of the Company; their independence; their memberships with the applicable committees of the Company. The four committees of the Company are: (i) Audit Committee (**AC**), (ii) Compensation Committee (**CC**), (iii) Governance & Nominating Committee (**GNC**), and (iv) Special Committee (**SC**).

Name of Director or Officer	Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed [1]	Number of Options Held
Gregg J. Sedun		
	1,050,000	1,100,000 [2]
British Columbia, Canada Director since: April 2010 Executive Chairman Non-Independent Member of the Board	Principal Occupation for the Past Five Years: President of Global Vision Capital Corp.; Director, President, Chairman and CEO of Uracan Resources Ltd.; President and Director of Oceanic Iron Ore Corp.; Director of Diamond Fields International Ltd.; and Executive Chairman of Goldgroup Mining Inc. He is a former corporate finance/securities and mining lawyer, having practiced law for 14 years. He has been a founding shareholder and/or director of a number of successful companies including Diamond Fields Resources Inc. (acquired by Inco); Adastra Minerals Inc. (acquired by First Quantum Minerals); Geovic Mining Corp. (which is developing a cobalt/nickel mine in Cameroon); and Luna Gold Ltd. (which is operating a gold mine in Brazil).	

Name of Director or Officer	Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed [1]	Number of Options Held
Keith Piggott		
 Sonora, Mexico Director since: August 2006 President & CEO Non-Independent Member of the Board	14,622,445 [3]	1,400,000 [3]
	Principal Occupation for the Past Five Years: Keith Piggott is the CEO and President of the Company. Legal Representative, Gramin S.A. de C.V. and Minera Secotec S.A. de C.V. Over the last 40 years, Mr. Piggott has started and operated numerous underground, open cut and beach sand mines in Zambia, Australia and Mexico. In addition to producing copper, cobalt, rutile, zircon, tungsten and tin at various times, he has spent the majority of his career producing gold and silver. He has undertaken exploration work in Australia, Papua New Guinea, Chile, the United States and various regions of Central America. He has experience in Mexico which has come through operating a number of gold mines in the region for nearly 10 years. He earned a Mining Engineering degree from the Camborne School of Mines in 1964 and completed the Executive Development Course at the London Business School in 1972.	
Corry J. Silbernagel		
 British Columbia, Canada Director since: May 2010 Independent Member of the Board Member of the AC Chair & Member of the CC Chair & Member of the SC	500,907	500,000 [4]
	Principal Occupation for the Past Five Years: Partner of Bond Capital, a Vancouver-based private equity fund. He currently holds the following positions: Director of Expedition Mining Inc.; Director of Universal Uranium Ltd., and Directors and Senior Officer or Toro Resources Corp. Prior to this, he was CFO of Cabo Drilling Corp., one of Canada's largest exploration drilling services companies following his role as a management and financial consultant and corporate advisor in strategy, finance, business development and marketing. As a professional engineer, he has managed large-scale projects in excess of $100 million in the mining and oil and gas industry for companies such as Suncor Energy and TransAlta Energy. He holds a Masters of Business Administration from INSEAD in France and a Bachelors degree in Applied Science in Civil Engineering from the University of British Columbia.	
Dr. Hans von Michaelis		
 Colorado, USA Director since: May 2010 Independent Member of the Board Lead Director since March 2012 Member of the CC Member of the GNC Member of the SC	1,040,000	500,000 [5]
	Principal Occupation for the Past Five Years: President of Randol International Ltd. Since 1977. Dr. Hans von Michaelis holds a PhD. in Geochemistry form the University of Cape Town, South Africa. He spent two decades conducting multi-client surveys of innovations in extractive metallurgy of gold, silver and uranium. He has organized numerous international conferences on gold and silver extraction and recovery, on international mining opportunities and on Mexican mining opportunities. He is a former director of Glamis Gold Ltd. and several other junior resource companies. He is currently President of Randol International Ltd., a company he founded in 1977 to provide business development services, mostly to the mining industry. He also serves on the advisory board of Strathmore Minerals Corp. He has been successful in advancing energy-saving high pressure grinding rolls technology acceptance by the mineral processing industry. Among other business development achievements was his introduction of the Mulatos gold project to Alamos Minerals Ltd. He is the author of numerous technical and mineral economic publications and has presented at numerous international conferences. He was appointed Lead Director of the Company on March 26, 2012.	

Name of Director or Officer	Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed [1]	Number of Options Held
Francisco J. Escandón-Valle		
 Nuevo Laredo, Mexico Director since: June 2010 Non-Independent Member of the Board	Nil	575,000 [6]
	Principal Occupation for the Past Five Years: Mr. Escandón–Valle was the Director of Operations in Caballo Blanco from May 2010 to May 2011. From May 2011 to present he holds the position of Technical Director of the Company. He is a Geological engineer; Head of the Mexican Geological Survey from 2001 to 2007. Mr. Escandón–Valle is a geological engineer graduate from the National University of México with more than 40 years of experience in the exploration and the mining industry. He was recently the Head of the Mexican Geological Survey from 2001 through 2007. He has a widely varied experience that includes mine design, metallurgical research, feasibility studies, environmental studies and management of operations at the San Juan de la Costa Phosphate and the Santo Domingo phosphate projects in Baja California, Mexico. His responsibilities included mine and plant design, equipment selection and construction as well as design and construction of facilities and required infrastructure such as offices and warehouses, roads, power substation, water supply lines, tailings dams, landing strip water supply, reverse osmosis desalination plants, tailings dams, landing strip, power plant, and barge and ship harbours. He was also in charge of the Cu-Co El Boleo project in Santa Rosalía BCS, with direct coordination of the feasibility studies that included all mine, plant and infrastructure design, roads, power plant, sulphuric acid plant, water supply, reverse osmosis desalination plant, tailings dams, garbage ponds and harbour. Other operations include the La Brisca Gold Placer, Sonora and the Amelia-Maribel Gold Carlin Deposit.	
Robert M. Byford		
 British Columbia, Canada Director since: June 2010 Independent Member of the Board Chair & Member of the AC Chair & Member of the GNC Member of the SC	100,000	400,000 [7]
	Principal Occupation for the Past Five Years: Partner of KPMG from June 1969 to September 2008 & Senior Vice President and Director of KPMG Corporate Finance Inc. Robert M. Byford is a former partner of KPMG LLP and Senior Vice President and Director of KPMG Corporate Finance Inc. He graduated from Simon Fraser University in 1969, obtained his professional qualification as a Chartered Accountant in 1971 and was recognized as an F.C.A. in 2009. He has a background in audit and tax and acquired significant experience with numerous public companies during his 39 years with KPMG and predecessor firms. In 1983, he became Managing Partner of the B.C. Region Consulting Practice and was a founding Partner of the Firm's Corporate Finance Practice. He has acted as lead financial adviser on a wide range of finance, divesture and acquisition transactions in many industry sectors. He was an elected Governor of the Vancouver Stock Exchange and been a frequent speaker on corporate governance, securities and corporate finance matters. He is a Director of Western Copper and Gold Corporation (formerly "Western Copper Corporation) and he is also a member of its Audit Committee and Corporate Governance Committee. He is also a member of Stone Crescent Charitable Foundation. In addition, he serves as an advisor to the Chairman of the board for two separate and unrelated private companies.	
Dr. Paul L. Zweng		
 Hawaii, USA Director since: January 2011 Independent Member of the Board Member of the AC Member of the CC Member of the SC	554,500	400,000 [8]
	Principal Occupation for the Past Five Years: Dr. Zweng's business career has focused on both the technical and financial side of exploration and mining companies over the past 25 years. He has received graduate degrees in fields related to earth sciences from Stanford University (Ph.D.) and Queen's University (M.Sc). He is currently a general manager and co-founder of Resource Venture Advisors, LLC, the general partner to Resource Venture Partners, LP, a private investment partnership. Dr. Zweng was the interim CEO and a Director of Bellhaven Copper and Gold Inc. from May 2010 to January 2012. He was a co-founder and director of Antares Minerals, a Canadian Junior Company purchased by First Quantum in 2010 and CEO of QGX Ltd, a Canadian Junior Company purchased by the Kerry Group in 2008.	

Name of Director or Officer	Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed [1]	Number of Options Held
John J. Sutherland		
	10,000	675,000 [9]
British Columbia, Canada Vice President & Chief Financial Officer	Principal Occupation for the Past Five Years: Vice President, Chief Financial Officer since May 2010 and Corporate Secretary from April 2010 to April 2011. Vice President and Chief Financial Officer of Goldgroup Holdings Inc. from February 2007 to May 2010. He is currently Director, Chief Financial Officer and Corporate Secretary for Uracan Resources Ltd. since May, 2007 to present. From March 2003 to September 2006, he was Vice President, Chief Financial Officer and a director of Tekion, Inc., a private company developing and marketing fuel cells. From 2002 to December 2009, Mr. Sutherland was a director and audit committee chairman of Aquiline Resources Ltd. a publicly-held company listed on the TSX. Between 1996 and 2011, Mr. Sutherland has been a director/trustee of Polymer Solutions, Inc., a former publicly-held company that sold all of its assets effective as of February 2004. From 1988 to May 2010, he was a director and audit committee chairman of International Absorbents Inc., a publicly-held company listed on the American Stock Exchange. Mr Sutherland also currently holds the positions of: Director of Barranco Resources Corp.; Director of Arco Resources Corp.; and Director of Digital Shelf Space Corp. Mr. Sutherland has been a Certified General Accountant since 1976.	
Kevin Sullivan		
	1,188,417	500,000 [10]
Arizona, U.S.A. Vice President, Exploration	Principal Occupation for the Past Five Years: Mr. Sullivan has been Vice President, Exploration since April 2010. Mr. Sullivan acts as Vice President, Exploration of the Company pursuant to a consulting agreement dated January 1, 2009 between Goldgroup Holdings Corp. and Minop. Mr. Sullivan is a graduate geologist from Victoria University of Wellington, New Zealand and a member of the Australasian Institute of Mining and Metallurgy. He has twenty years of gold exploration experience in Australia, during which time he was instrumental in the discovery of the Mt. Leyshon gold deposit which subsequently produced in excess of 2.5m oz of gold. For the past ten years, Mr. Sullivan has worked in Mexico, Nevada, Arizona and Chile exploring for and assessing various gold projects, two of which he has helped put into production.	
Patrick Glynn		
	106,640 [11]	300,000
Arizona, U.S.A. VP, Technical and Projects	Principal Occupation for the Past Five Years: Mr. Glynn is a graduate metallurgist from The University of the Witwatersrand in Mineral Processing Engineering. Mr. Glynn has 35 years of experience in the operation and design of gold, copper, nickel and PGM's processing facilities. He has worked in Zimbabwe, South Africa, Russia, Australia and Laos providing expertise in mineral processing and project management. From December 2009 to January 2012 he held the position of Project Manager for Rosemont Copper Company managing a billion dollar project. Prior to Rosemont Copper Company, he was the Senior Project Manager at AMEC International on a multibillion dollar Potash expansion project in Saskatchewan. He has also spent a significant part of his career at Bateman Engineering as a Project Manager for the Sepon gold and copper projects in Laos and as a mineral processing engineer/manager.	
Brigitte M. McArthur		
	Nil	50,000 [12]
British Columbia, Canada Corporate Secretary	Principal Occupation for the Past Five Years: Ms. McArthur is an employee of the Company. Ms. McArthur has been the Company's Corporate Secretary since April 2011. Previous to joining Goldgroup she provided regulatory compliance and administrative services to public companies and private companies through her company RJL Consultant Ltd. Ms. McArthur has over 23 years' experience working with publicly trading companies. She has served in several capacities such as corporate secretary, director and treasurer of several publicly trading companies.	

Notes:

(1) The number of common shares beneficially owned, controlled or directed, directly or indirectly, by the above directors and officers is based on information furnished by the directors and officers themselves and from the insider reports available at www.sedi.ca.

(2) Gregg J. Sedun also holds options to purchase 1,100,000 common shares of which: 400,000 exercisable at a price of $0.98 expiring on May 5, 2013; 290,000 exercisable at a price of $1.00 expiring on May 18, 2014; 150,000 exercisable at a price of $1.25 expiring on January 31, 2015; and 260,000 exercisable at a price of $1.40 expiring on June 15, 2016.

(3) Of the 14,622,445 common shares, 11,582,011 common shares are held by Happy Holdings Limited and 3,040,434 are held directly by Keith Piggott. Keith Piggott also holds options to purchase 1,400,000 common shares of which: 61,403 exercisable at a price of $0.57 expiring on May 1, 2014; 201,754 exercisable at an exercise price of $0.627 expiring on November 1, 2014; 400,000 exercisable at a price of $0.65 expiring on May 5, 2013; 326,843 exercisable at a price of $1.00 expiring on May 18, 2014; 150,000 exercisable at a price of $1.25 expiring on January 31, 2015; and 260,000 exercisable at a price of $1.40 expiring on June 15, 2016.

(4) Cory J. Silbernagel also holds options to purchase 500,000 common shares of which: 150,000 exercisable at a price of $0.65 expiring on May 5, 2013; 100,000 exercisable at an exercise price of $1.00 expiring on May 18, 2015; 75,000 exercisable at a price of $1.25 expiring on January 31, 2015; and 175,000 exercisable at a price of $1.40 expiring on June 15, 2016.

(5) Dr. Hans von Michaelis also holds options to purchase 500,000 common shares of which: 150,000 exercisable at a price of $0.65 expiring on May 5, 2013; 100,000 exercisable at an exercise price of $1.00 expiring on May 18, 2015; 75,000 exercisable at a price of $1.25 expiring on January 31, 2015; and 175,000 exercisable at a price of $1.40 expiring on June 15, 2016.

(6) Francisco J. Escandón–Valle also holds options to purchase 575,000 common shares of which: 300,000 exercisable at a price of $1.00 expiring on May 18, 2014; 100,000 exercisable at an exercise price of $1.25 expiring on January 31, 2015; and 175,000 exercisable at a price of $1.40 expiring on June 15, 2016.

(7) Robert M. Byford holds options to purchase 400,000 common shares of which: 125,000 exercisable at a price of $0.65 expiring on July 29, 2014; 100,000 exercisable at an exercise price of $1.25 expiring on January 31, 2015; and 175,000 exercisable at a price of $1.40 expiring on June 15, 2016.

(8) Paul L. Zweng holds options to purchase 400,000 common shares of which: 125,000 exercisable at a price of $1.16 expiring on January 10, 2015; 100,000 exercisable at a price of $1.25 expiring on January 31, 2015; and 175,000 exercisable at a price of $1.40 expiring on June 15, 2016.

(9) John J. Sutherland holds options to purchase 675,000 common shares of which: 200,000 exercisable at a price of $0.65 expiring on May 5, 2013; 200,000 exercisable at a price of $1.00 expiring on May 18, 2014; 100,000 exercisable at a price of $1.25 expiring on January 31, 2015; and 175,000 exercisable at a price of $1.40 expiring on June 15, 2016.

(10) Kevin Sullivan holds options to purchase 500,000 common shares of which: 200,000 exercisable at a price of $0.65 expiring on May 5, 2013; 87,719 exercisable at a price of $0.63 expiring October 1, 2014; 12,281 exercisable at a price of $1.00 expiring on May 18, 2014; 75,000 exercisable at a price of $1.25 expiring on January 31, 2015; and 125,000 exercisable at a price of $1.40 expiring on June 15, 2016.

(11) Patrick Glynn holds options to purchase 300,000 common shares of which exercisable at a price of $1.20 expiring on March 26, 2017.

(12) Brigitte M. McArthur holds options to purchase 50,000 common shares of which exercisable at a price of $1.40 expiring on June 15, 2016.

Each director is appointed for a term of one year which expires on the date of the annual meeting of shareholders of the Company following his or her appointment.

The directors and officers of the Company, eleven (11) in the aggregate, beneficially owned, directly or indirectly, or exercised control or direction over approximately 19,172,909 common shares (excluding stock options granted) or approximately 14.92% of the common shares of the Company issued and outstanding as at March 30, 2012.

9.2 Directors and Officers Background

Please refer to Item 9.1 above for the background of each of the directors and officers of the Company.

9.3 Board Committees

The Board has four standing committees: the Audit Committee, the Governance and Nominating Committee, the Compensation Committee and the Special Committee.

The Audit Committee is currently comprised of Messrs. Byford (Chair), Silbernagel and Zweng. Each member is independent within the meaning of National Instrument 52-110 – *Audit Committees* ("NI 52-110"). The Audit Committee aids management in fulfilling its responsibility for the integrity of the Company's internal accounting and control systems. The Audit Committee receives and reviews the financial statements of the Company and makes recommendations thereon to the Board prior to their approval by the full Board. The Audit Committee communicates directly with the Company's external auditors in order to discuss audit and related matters whenever appropriate. The Audit Committee charter can be found at Schedule "A" attached hereto and available on SEDAR. Additional information can be found under Section 14 of this Annual Information Form.

The Governance and Nominating Committee is comprised of Messrs. Byford (Chair), Silbernagel and von Michaelis. The Governance and Nominating Committee believe good corporate governance is a process used to oversee the management of the business affairs of the Company, in the best interests of the Company. The process and structure define the division of power between, and establish mechanisms for achieving accountability by the Board of Directors and senior management.

In addition, based on the guidelines referred to in the Charter, the Committee, in consultation with the Chairman of the Board and the Chief Executive Officer, annually or as required, recruit and identify individuals qualified to become new Board members and recommend to the Board new director nominees for the each annual meeting of shareholders.

The Compensation Committee is comprised of Messrs. Silbernagel (Chair), von Michaelis and Zweng. The Compensation Committee assists the Board in fulfilling its responsibility to shareholders, potential shareholders and the investment community by reviewing and providing recommendations to the Board regarding compensation of the Company's executive officers, employees and directors, succession plans for executive officers, and the Company's overall compensation and benefits policies, plans and programs. The Compensation Committee responsible for establishing, administering and evaluating the compensation philosophy based on criteria including the Company's performance for the accomplishment of long-term strategic objectives. The Compensation Committee oversees the Company plans, i.e. the Stock Option Incentive Plan. In the determination of compensation for the Executive Management and directors, the Compensation Committee will utilize and or all of the following: compensation surveys, peer comparison, analysis, compensation consultants and any other reference or means deemed appropriate.

The Special Committee is comprised of all the independent members of the Board being Messrs. Silbernagel (Chair) Byford, von Michaelis and Zweng. The Committee's purpose is to review and analyze the issues pertaining to potential strategic alternatives for the Company, which analysis should include, but not be limited to, the advantages and disadvantages of any strategic alternatives available to the Company, and the appropriateness and form of any consideration in relation to the Company's shareholders in connection with any proposed transaction should also be considered.

9.4 CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Except as disclosed below, to the knowledge of the Company, no director or executive officer of the Company:

(a) is, as at the date of this Annual Information Form, or was within 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including the Company), that:
   (i) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
   (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of subsection (a), "order" means:

(i) a cease trade order;
(ii) an order similar to a cease trade order; or
(iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for more than 30 consecutive days.

On September 9, 2006, the British Columbia Securities Commission issued a cease trade order against all of the directors of Diamond Field International Limited, including Gregg J. Sedun, who was a director at the time, for that company's failure to file comparative financial statements for its financial year ended June 30, 2006, Management's Discussion and Analysis for the year ended June 30, 2006 and Annual Information Form for the year ended June 30, 2006. On November 1, 2006, the cease trade order was revoked when all required filings was made.

On April 4, 2007, a management cease trade order was issued against all of the then directors of the Company (at that time "Sierra Minerals Inc."), including Keith Piggott, for the Company's failure to file its financial statements by the required filing date under applicable Canadian securities laws for the fiscal year ended December 31, 2006. The cease trader order was lifted on June 28, 2007. Except as stated below, to the knowledge of the Company, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially control of the Company

a) is, as at the date of this Annual Information Form, or has been within the 10 years before the date of this Annual Information Form, a director or executive officer of any company (including the Company) that, while that person was acting in the that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

b) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

9.5 CONFLICTS OF INTEREST

The directors are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests that they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter.

To the best of the Company's knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest among the Company, its promoters, directors and officers or other members of management of the Company or of any proposed promoter, director, officer or other member of management as a result of their outside business interests, except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies. All related party transactions during each reporting period are detailed in the Company's Management Discussion & Analysis for the fiscal year ended December 31, 2011.

The Executive Chairman of the Company is also the President, Chairman and Chief Executive Officer of Uracan Resources Ltd. ("Uracan"). The companies share common office premises and have entered into a cost sharing arrangement, effective February 1, 2007 and amended November 14, 2011. At December 31, 2011, receivables include $14 owing from Uracan for unpaid share of rent, administration staff salary and general office expenses. There is a balance of $nil owing from an officer of the Company.

ITEM 10
PROMOTERS

The Company does not currently have any promoters or has it had any promoters during the past the past most recently completed financial years.

ITEM 11
LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not a party to any material legal proceedings or regulatory actions and is not aware of any such proceedings known to be contemplated.

ITEM 12
INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described below, in the three most recently completed financial years or the current financial year, no director, officer, insider or associate or affiliate of any director, officer or insider of the Company had or is expected to have any material direct or indirect transactions with the Company that materially affected or would materially affect the Company. All related party transactions are detailed in the Company's Management Discussion & Analysis for the fiscal year ended December 31, 2011. Together, Piggott and Warman own or control Minera Secotec S.A. de C.V. ("Secotec"), a private company which previously owned the Cerro Colorado gold mine purchased by Granmin Mexico. Piggott and Warman at the time each also owned or exercised control or direction over more than 10% of the issued and outstanding shares of the Company.

Please note that transactions are translated at applicable average exchange rates but monetary assets and liabilities are translated at appropriate period end exchange rates. Accordingly while balance continuity can be reconciled in the original currency differences will arise due to translation in the amounts reported in US dollars.

Transactions with related parties during the year ended December 31, 2011 and 2010

At December 31, 2011, receivables include $nil (December 31, 2010 - $38,712; January 1, 2010 - $30,694) owing from Uracan and $1,573 (December 31, 2010 - $4,582; January 1, 2010 - $1,666) owing from an officer of the Company. The amount owing from Uracan is for its unpaid share of rent, administration staff salary and general office expenses. The companies share common office premises and have entered into a cost sharing arrangement, effective February 1, 2007.

At December 31, 2011, trade and other accounts payable includes $45,503 (December 31, 2010 - $11,212; January 1, 2010 - $65,766) owing to a director and/or officer and/or companies controlled by the directors.

Due to the particulars of Mexican law, it is common for operating companies to employ their workers through a management company. The employees of Granmin Mexico are employed by Pabelini, S.A. de C.V. ("Pabelini"), a company owned by the former spouse of the CEO. Under a renewed agreement, dated June 1 ,2011 and expiring May 31, 2014, between Granmin Mexico and Pabelini, Pabelini pays all of the Cerro Colorado mine employees and Granmin Mexico administrative personnel and is reimbursed by Granmin Mexico. Pabelini charges a fee equal to 5% of the base salaries of the employees, before additions for statutory remittances. This fee in the amount of $153,639 (May 1, 2010 to December 31, 2010 - $86,510) is meant to reimburse Pabelini for its office costs and administrative overhead costs incurred in managing the payroll and making all required remittances to the Mexican government in association with salaries of such employees. The excess of this fee over these administrative costs provides for a profit margin. As at December 31, 2011, amounts owing from (to) Pabelini totalled $17,894 (2010 - $(216,698)).

In addition to Pabelini, a number of expatriate workers and Caballo Blanco employees, including the Company's CEO, are employed by MINOP, S.A. de C.V. ("Minop"). Minop is a private company controlled by the former step-son of the CEO. Under a renewed agreement, dated October 1, 2011 and expiring September 30, 2014, Minop charges a service fee equal to 1.5% of base salary for employees earning greater than $100,000 per year and 3% for employees earning less than $100,000 base salary per year. The fee in the amount of $79,333 (May 1, 2010 to December 31, 2010 - $37,783) is meant to reimburse Minop for administrative costs incurred by the company in providing these services. As at December 31, 2011, amounts owing from Minop totalled $27,261 (2010 - $17,801).

Amounts owing to or from related parties are non-interest bearing, unsecured and due on demand. The transactions were measured at fair value and were in the normal course of operations.

Transactions with related parties during the years ended December 31, 2009 and 2008

As at December 31, 2009 the Company owed Secotec $293,467 (December 31, 2008 - $438,024) for services provided and materials and supplies that Secotec obtained on behalf of Granmin Mexico. During the year ended December 31, 2009, Secotec invoiced the Company $3,067 (2008 - $74,879) and Granmin Mexico made payments to Secotec of $146,751 (2008 - $77,790). The resulting liability to Secotec has been included under the caption "Due to related party" and is denominated in Mexican Pesos. Accounts payable and accrued liabilities for Sierra included the following:

As at December 31	2009 $	2008 $
Aquiline Resources Inc. – (i)	-	132,089
Directors fees payable	20,714	93,092
Fogler, Rubinoff LLP – (ii)	-	59,787
Wayne Acton (iii)	-	40,000
Boyle & Co. LLP – (iv)	-	13,900

Notes:

(i) The former President, Director and CEO of the Company was also an officer and director of Aquiline Resources Inc. ("Aquiline"). Up to June 30, 2008, the Company shared office premises with Aquiline and Aquiline provided administrative services to the Company and shared certain expenses. During the year ended December 31, 2009, Sierra paid Aquiline C$140,727 as final settlement of this debt.

(ii) The former Corporate Secretary of the Company is a partner with Fogler, Rubinoff LLP ("Foglers"). During the year ended December 31, 2009, Sierra paid C$73,215 to Foglers as final settlement of this payable.

Notes: *(Continued)*

(iii) This amount relates to fees owing to Mr. Wayne Acton incurred in his capacity as a former Chief Financial Officer of the Company. Mr. Acton ceased to be an officer of the Company during 2008. This amount was paid in full during the year ended December 31, 2009.

(iv) The former Corporate Secretary of the Company, effective September 4, 2008, is a partner with Boyle & Co. LLP ("BoyleCo"). As at December 31, 2009 the Company owed $Nil to BoyleCo (2008 - C$17,021). During the year ended December 31, 2009, BoyleCo charged the Company C$144,231 in legal fees (2008 – C$55,888).

All of the above transactions with related parties are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties. Unless specifically noted as being included in "Due to related party" or "Loans payable", all liabilities to related parties are included in "Accounts payable and accrued liabilities".

ITEM 13
TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Investor Services Inc. in Vancouver, British Columbia.

MATERIAL CONTRACTS

The Company is not a party to any material contracts entered into within the most recently completed financial year, or before the most recently completed financial year, but that are still in effect, other than those contracts entered into in the ordinary course of business.

ITEM 14
INTERESTS OF EXPERTS

14.1 NAME OF EXPERTS

The audited consolidated financial statements of the Company for the period ended December 31, 2011 has been audited by Grant Thornton LLP, Chartered Accountants, of Suite 1600, Grant Thornton Place, 333 Seymour Street, Vancouver, B.C., V6B 0A4.

The Caballo Blanco Technical Report dated February 10, 2012 and effective February 7, 2012 was prepared by J. Cuttle, P.Geo, and G. Giroux, P. Eng. of Giroux Consultants Ltd. as the independent "qualified persons" under NI 43-101.

The San José de Gracia Technical Report dated January 3, 2012 was also prepared by J. Cuttle, P. Geo., and G. Giroux, P. Eng. of Giroux Consultants Ltd.

The Cerro Colorado Technical Report dated March 15, 2010, as amended February 28, 2011 was prepared by Michelle Stone, Ph.D., P.Geo.

14.2 INTERESTS OF EXPERTS

As at March 30, 2012, to the best of the Company's knowledge, none of Jim Cuttle, Gary Giroux, Michelle Stone and Grant Thornton LLP, including their affiliates and associates owned, beneficially, directly or indirectly, greater than 1% of the securities of the Company.

ITEM 15
AUDIT COMMITTEE

The Audit Committee is responsible for overseeing the Company's accounting and financial reporting processes and the audits of the Company's financial statements and to exercise the responsibilities and duties to assist the Board in fulfilling its responsibilities in reviewing the financial disclosures and internal controls over financial reporting; monitoring the system of internal control; monitoring the Company's compliance with the binding requirement of any stock exchanges on which the securities of the Company are listed and all other applicable laws; selecting the external auditors for shareholder approval; reviewing the qualifications, independence and performance of the external auditor; reviewing the qualifications, independence and performance of the Company's financial management; and identifying, evaluating and monitoring the management of the Company's principal risks impacting financial reporting. The Committee also assists the Board with the oversight of the financial strategies and overall risk management.

The full text of the Charter of the Audit Committee is included as Schedule "A" to this Annual Information Form.

15.1 COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee of Goldgroup is comprised of the following members of the Board:

NAME	CORPORATE POSITION	INDEPENDENT	FINANCIAL LITERACY
Robert M. Byford	Director	Yes	Yes
Corry J. Silbernagel	Director	Yes	Yes
Paul L. Zweng	Director	Yes	Yes

The following table describes the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member:

15.2 NAME OF AUDIT COMMITTEE MEMBER, RELEVANT EXPERIENCE AND QUALIFICATIONS

NAME	RELEVANT EXPERIENCE AND QUALIFICATIONS
Robert M. Byford	Robert M. Byford, FCA, was appointed as a director in June 2010. He is a former partner of KPMG LLP and Senior Vice President and Director of KPMG Corporate Finance Inc. He has a background in audit and tax and acquired significant experience with numerous public companies during his 29 years with KPMG and predecessor firms. In 1983 Mr. Byford became Managing Partner of the BC Region consulting practice and was a founding partner of the firm's corporate finance practice. Mr. Byford has acted as lead financial advisor on a wide range of finance, divestiture and acquisition transactions in many industry sectors. He was an elected Governor of the Vancouver Stock Exchange and has been a frequent speaker on corporate governance, securities and corporate finance matters. He graduated from Simon Fraser University in 1969 and obtained his professional qualification as a Chartered Accountant in 1971.
Corry J. Silbernagel	Corry J. Silbernagel became a director of Goldgroup in April 2010 and was a Director of Pre-RTO Goldgroup in 2006. Mr. Silbernagel is a partner of a Vancouver-based private equity fund. Prior, Mr. Silbernagel was CFO of Cabo Drilling Corp., one of Canada's largest exploration drilling services companies following his role as a management and financial consultant and corporate advisor in strategy, finance, business development and marketing. As a professional engineer, Mr. Silbernagel has managed large-scale projects in excess of $100 million in the mining and oil and gas industry for companies such as Suncor Energy and TransAlta Energy. Mr. Silbernagel holds a Masters of Business Administration from INSEAD in Fontainbleau, France and a Bachelors degree in Applied Science in Civil Engineering from the University of British Columbia.
Paul L. Zweng	Paul L. Zweng became a Director in January 2011. Dr. Zweng's business career has focused on both the technical and financial side of exploration and mining companies over the past 25 years. He has received graduate degrees in fields related to earth sciences from Stanford University (Ph.D.) and Queen's University (M.Sc). He is currently a general manager and co-founder of Resource Venture Advisors, LLC, the general partner to Resource Venture Partners, LP, a private investment partnership. Dr. Zweng was the interim CEO and a Director of Bellhaven Copper and Gold Inc. from May 2010 to January 2012. He was a co-founder and director of Antares Minerals, a Canadian Junior Company purchased by First Quantum in 2010 and CEO of QGX Ltd, a Canadian Junior Company purchased by the Kerry Group in 2008.

15.3 PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee has the sole authority to review in advance and grant any appropriate approvals of all auditing services to be provided by the external auditors of the Company and any non-audit services to be provided by the external auditors of the Company as permitted by applicable securities laws and the TSX.

The audit committee has adopted the following policies and procedures for the engagement of non-audit services by the Company's external auditors. Each year management presents a forecast to the Audit Committee of those services that it anticipates will be required for the coming year. These services fall into three board categories, namely:

15.4 EXTERNAL AUDITOR SERVICE FEES TAX FEES AND ALL OTHER FEES

Expressed C$	2011 Fee Amount	2010 Fee Amount	2009 Fee Amount
Audit Fees	$122,000	$117,000	$ 76,000
Audit Related Fees	$137,000	$171,000	$ 20,000
Tax Fees	$ 13,000	$ 32,000	$ 14,000
All Other Fees	Nil	Nil	Nil
Total:	$272,000	$320,000	$ 90,000

Reliance on Certain exemptions

Since the commencement of 2011, the Company's most recently completed financial year, the Company has not relied on:

a) The exemption in section 2.4 of NI 52-110 (De Minimis Non-audit Services)
b) The exemption in section 3.2 of NI 52-110 (Initial Public Offerings)
c) The exemption in section 3.4 of NI 52-110- (Events Outside Control of Member)
d) The exemption in section 3.5 of NI 52-110 (Death, Disability or Resignation of Audit Committee Member) or
e) An exemption from NI 52-110, in whole or in part, granted from Part 8 (Exemptions).

Reliance on the Exemption in Subsection 3.3(2) or Section 3.6

Since the commencement of 2011, the Company's most recently completed financial year, the Company has not relied on the exemption in subsection 3.3(2) of NI 52-110 (Controlled Companies) or section 3.6 of NI 52-110 (Temporary Exemption for Limited and Exceptional Circumstances).

Reliance on Section 3.8

Since the commencement of 2011, the Company's most recently completed financial year, the Company has no need to rely on the exemption in section 3.8 of NI 52-110 (Acquisition of Financial Literacy) as all members of the Audit Committee are financially literate.

Audit Committee Oversight

At no time since the commencement of 2011, the Company's most recently completed financial year, has a recommendation of the Audit Committee to nominate or compensate an external auditor, not been adopted by the board of directors of the Company.

Audit

- Audit of consolidated financial statements.
- Consultation with respect to implementation of new accounting and reporting guidance.
- Other consultation with respect to accounting and reporting issues.
- Quarterly reviews of interim consolidated financial statements.
- Audit of subsidiary financial statements.
- Services associated with registration statements, prospectuses, periodic reports and other documents filed with securities regulatory bodies or other documents issued in connection with services or offerings (e.g. comfort letters, consents).

Audit Related Services

- Guidance with respect to documentation and testing of internal controls pursuant to SOX 404.
- Consultations by the Company's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations on proposed transactions that are not reflected in the financial statements.

Tax

- Canadian tax compliance.
- Canadian and international tax planning and advisory services.

External Auditor Service Fees (By Category)

Audit Fees

During the financial year ended December 31, 2011, Grant Thornton, the Company's external auditor (the "External Auditor") billed the Company C$122,000 for audit services (2010 - C$116,671 and 2009 - C$70,000).

Audit-Related Fees

During the financial year ended December 31, 2011, the External Auditor billed the Company C$137,000 for other professional services performed (2010 – C$171,264 and 2009 - C$20,000).

Tax Fees

During the financial year ended December 31, 2011, the External Auditor billed the Company C$13,000 for tax return preparation and advice related to tax compliance, tax advice and tax planning ("Tax Services") of which C$10,000 related to statutory tax filings in Mexico; 2010 – C$32,065 of which C$9,800 related to statutory tax filings in Mexico and 2009 - C$14,000 of which C$13,200 related to statutory tax filings in Mexico.

All Other Fees

During the financial years ended December 31, 2011, 2010 and 2009, the External Auditor did not bill the Company for any other professional services performed in connection with other services.

ITEM 16
ADDITIONAL INFORMATION

Financial information about the Company is contained in its comparative financial statements and Management's Discussion & Analysis for the fiscal years ended December 31, 2011 and 2010, and additional information relating to the Company is available on SEDAR, under the Company's profile, at www.sedar.com.

SCHEDULE A

AUDIT COMMITTEE CHARTER

A. Introduction and Purpose

1. The primary function of the Audit Committee of Goldgroup Mining Inc. (the "Committee") is to oversee the accounting and financial reporting processes of the Company and the audits of the Company's financial statements and to exercise the responsibilities and duties set forth below, including, but not limited to, assisting the Board in fulfilling its responsibilities in reviewing the following financial disclosures and internal controls over financial reporting; monitoring the system of internal control; monitoring the Company's compliance with the binding requirement of any stock exchanges on which the securities of the Company are listed and all other applicable laws (collectively, the "Applicable Requirements"); selecting the external auditors for shareholder approval; reviewing the qualifications, independence and performance of the external auditor; reviewing the qualifications, independence and performance of the Company's financial management; and identifying, evaluating and monitoring the management of the Company's principal risks impacting financial reporting . The Committee also assists the Board with the oversight of the financial strategies and overall risk management.

2. The Committee is not responsible for: planning or conducting audits; certifying or determining the completeness or accuracy of the Company's financial statements or that the financial statements are in accordance with generally accepted accounting principles or international financial reporting standards, as applicable; or guaranteeing the report of the Company's external auditor. The fundamental responsibility for the Company's financial statements and disclosure rests with management and the external auditor.

B. Membership and Organization

1. **Composition –** The Committee shall consist of not less than three independent members of the Board. At the invitation of the Committee, members of the Company's management and others may attend Committee meetings as the Committee considers necessary or desirable.

2. **Appointment and Removal of Committee Members –** Each member of the Committee shall be appointed by the Board on an annual basis and shall serve at the pleasure of the Board, or until the earlier of (a) the close of the next annual meeting of the Company's shareholders at which the member's term of office expires, (b) the death of the member, or (c) the resignation, disqualification or removal of the member from the Committee or from the Board. The Board may fill a vacancy in the membership of the Committee.

3. **Independence –** Each member of the Committee shall meet the independence and audit committee composition requirements of the Applicable Requirements.

4. **Financial Literacy –** At the time his or her appointment to the Committee, each member of the Committee shall be financially literate and able to read and understand a set of financial statements, including a balance sheet, cash flow statement and income statement, that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

C. Meetings

1. **Meetings –** The members of the Committee shall hold meetings as are required to carry out this mandate, and in any case no less than four meetings annually. The external auditors and non-Committee board members are entitled to receive notice of and attend and be heard at each Committee meeting. The Chair, any member of the Committee, the external auditors, the Chairman of the Board, the Chief Executive Officer or the Chief Financial Officer may call a meeting of the Committee by notifying the Company's Corporate Secretary who will notify the members of the Committee. The Chair shall chair all Committee meetings that he or she attends, and in the absence of the Chair, the members of the Committee present may appoint a chair from their number of a meeting.

2. **Quorum –** A majority of the members of the Committee shall constitute a quorum. The affirmative vote of a majority of the members of the Committee participating in any meeting of the Committee is necessary for the adoption of any resolution of the Committee.

3. **Access to Management and Outside Advisors –** The Committee shall have unrestricted access to the Company's management and employees and the books and records of the Company, and, from time to time may hold unscheduled or regularly scheduled meetings or portions of the regularly scheduled meetings with the external auditor, the Chief Financial Officer or the Chief Executive Officer The Committee shall have the authority to retain and terminate external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective compensation for these advisors without consulting or obtaining the approval of the Board or any Company officer.

4. **Funding –** The company shall provide appropriate funding, as determined by the Committee, for:

   a. the payment of compensation to any external auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services of the Company;
   b. payment for the services of any advisors retained by the Committee; and
   c. the ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

5. **Meetings Without Management –** The Committee shall hold unscheduled or regularly scheduled meetings, or portions of regularly scheduled meetings, at which only independent directors are present.

D. Functions and Responsibilities

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the duties required of an audit committee by the Applicable Requirements.

1. **Financial Reports**

a. General – The Committee is responsible for overseeing the Company's financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the Company's financial statements and financial disclosures and for the appropriateness of the account principles and the reporting policies used by the Company. The external auditors are responsible for auditing the Company's annual consolidated financial statements and for reviewing the Company's unaudited interim financial statements.

b. Review of Annual Financial Reports – The Committee shall review the annual consolidated audited financial statements of the Company, the external auditors' report thereon, the related management's discussion and analysis of the Company's financial condition and results of operation ("MD&A"), and the financial disclosure in any earnings press release. After completing its review, if advisable, the Committee shall recommend for Board approval the annual financial statements, the related MD&A, and the earnings release.

c. Review of Interim Financial Reports – The Committee shall review the interim consolidated financial statements of the Company, the external auditors' review report thereon, the related MD&A, and the financial disclosure in any earnings press release as well as the release of significant new financial information. After completing its review, if advisable the Committee shall recommend for Board approval the interim financial statements, the related MD&A, and the earnings release.

d. Review Considerations – In conducting its review of the annual financial statements or the interim financial statements, the Committee shall:

i. meet with management, the external auditors to discuss the financial statements and MD&A;
ii. review the disclosures in the financial statements;
iii. review the audit report or review report prepared by the external auditors;
iv. discuss with management, the external auditors and legal counsel, as requested, any pending or threatened litigation claims and assessments or other contingency that could have a material effect on the financial statements;
v. review critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;
vi. review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management;

vii. review critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;
viii. review the use of any non-GAAP financial measures, including "pro forma" or "adjusted" information;
ix. review management's report on the design and effectiveness of disclosure controls and procedures and internal controls over financial reporting;
x. review results of the Company's whistle blower program;
xi. meet in private with external auditors and one or more senior executives; and
xii. review any other matters related to the financial statements that are brought forward by the external auditors and amendment or which are required to be communicated to the Committee under accounting policies, auditing standards or Applicable Requirements.
xiii. If the Company's lists its securities on a stock exchange in a jurisdiction other than Canada the Audit Committee should review the equivalent applicable documentation and procedures.
xiv. Maintain minutes of meetings and periodically report to the Board of Directors on significant results of the foregoing activities.

e. Approval of Other Financial Disclosures – The Committee shall review and if advisable, approve and recommend for Board approval financial related disclosure in a prospectus or other securities officering documents, annual report, annual information form and managements information or proxy circular of the Company.
The Committee will be satisfied that adequate procedures are in place of the review of the Company's public disclosure of financial information extracted or derived from the financial statements and must periodically assess the adequacy of those procedures.

2. **Auditors**

a. General – The Committee shall be directly responsible for oversight of the work of the external auditors, including the external auditors work in preparing or issuing an audit report, performing other audit review, or attest services of any other related work. The external auditors shall report directly to the Committee and the Committee shall have authority to communicate directly with the Company's external auditors.

b. Appointment of Other Financial Disclosures – The Committee shall review and if advisable select and recommend to the Board the appointment of the external auditors. The Committee shall review and recommend for Board approval the compensation of the external auditors.

c. Resolution of Disagreements – The Committee shall resolve any disagreements between management and the external auditors as to financial reporting matters brought to its attention.

d. Discussions with External Auditor – At least annually, the Committee shall discuss with the external auditor such matters as are required by applicable auditing standards to be discussed by the external auditor with the audit committee, including the matters required to be discussed by Applicable Requirements and review with the external auditor any difficulties encountered in the course of the audit work or otherwise, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management; receive from and review with the independent auditor any accounting adjustments that were noted or proposed by the auditor but

that were “passed” (as immaterial or otherwise), any “management” or “internal control” letter or schedule of unadjusted differences issued, or proposed to be issued, by the auditor to the Company, or any other material written communication provided by the auditor to the Company’s management.

e. External Audit Plan – At least annually, the Committee shall review a summary of the external auditors/ annual audit plan. The Committee shall consider and review with the external auditors any material changes to the scope of the plan.

f. Quarterly Review Report – The Committee shall review a report prepared by the external auditors in respect of each of the interim financial statements of the Company and any other material communication between the external auditor and management.

g. Independence of External Auditors – At least annually, and before the external auditors issue their report on the annual financial statements, the Committee shall: obtain from the external auditors a formal written statement describing all relationships between the external auditors and the Company; discuss with the external auditors any disclosed relationships or services that may affect the objectivity and independence of the auditors; and obtain written confirmation from the external auditors that they are objective and independent within the meaning of the applicable Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which it belongs and other Applicable Requirements. The Committee shall take appropriate action to oversee the independence of the external auditors.

h. Evaluation and Rotation of Lead Partner – At least annually, the Committee shall review the qualifications and performance of the lead partner of the external auditors. The Committee shall obtain a report from the external auditors annually verifying that the lead partner of the external auditors has served in that capacity for no more than five fiscal years of the Company and that the engagement team collectively possesses the experience and competence to perform an appropriate audit.

i. Hiring of Former Employees of External Auditor – The Committee shall review and approve the Company’s hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.

j. Requirements for Pre-Approval of Non-Audit Services – The Committee shall approve in advance any retainer of the external auditors to perform any non-audit service to the Company in accordance with Applicable Requirements, specifically relating to such non-audit services. The Committee may delegate preapproval authority to a member of that Committee. The decisions of any member of the Committee to whom this authority has been delegated must be presented to the full Committee at its next scheduled Committee meeting. Approval by the Committee of a non-audit service to be performed by the external auditor of the Company shall be disclosed in periodic reports as required by the Applicable Requirements.

3. Internal Accounting and Disclosure Controls

a. General – The Committee shall review the adequacy of the Company's internal accounting and disclosure controls, its management information systems and its financial, auditing and accounting organizations and systems.

b. Establishment, Review and Approval – the Committee shall require management to implement and maintain appropriate systems of internal control in accordance with applicable laws, regulations and guidance, including internal control over maintenance of records, financial reporting and disclosure and to review , evaluate and approve these procedures. At least annually, the Committee shall consider and review with management and the external auditors:

i. the effectiveness of, or weaknesses or deficiencies in: the design or operating effectiveness of the Company's internal controls the overall control environment for management business risks; and accounting, financial and disclosure controls (including without limitation, controls over financial reporting) non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;
ii. any significant changes in internal control over financial reporting that are disclosed, or considered for disclosure, including those in the Company's periodic regulatory filings;
iii. any material issues raised by any inquiry or investigation by the Company's regulators;
iv. the Company's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Company to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting; and
v. any related significant issues and recommendations of the auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

4. Compliance with Legal and Regulatory Requirements – The Committee shall receive and review regular reports from the Company's General Counsel and other management members on: legal or compliance matters that may have a material impact on the Company; the effectiveness of the Company's compliance policies; and any material communications received from regulators. The Committee shall review management's evaluation of and representations relating to compliance with specific Applicable Requirements, and management's plans to remediate any deficiencies identified.

5. Committee Whistleblower Procedures – The Committee shall establish or oversee the establishment of procedures for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the company of concerns regarding outside advisors, as necessary or appropriate, to investigate the matter and will work with management, external auditors, and the general counsel to reach a satisfactory conclusion.

6. **Compliance with Code of Business Conduct** – The Committee shall:

   a. at least annually, review and assess the adequacy of and, if advisable, approve and recommend for Board approval, any amendments to the Company's Code of Business Conduct;

   b. review and, if advisable, approve the Company's processes for administering the Code of Business Conduct;

   c. review, on a regular basis, summaries of the usage of, and the matters being reported to, the whistle blower services;

   d. review with management the results of their assessment of the Company's compliance with the Code of Business Conduct and their plans to remediate any deficiencies identified; and

   e. review and, if advisable, approve any waiver from a provision of the Code of Business Conduct requested by a member of the Board or senior management.

7. **Committee Disclosure** – The Committee shall prepare, review and approve any audit committee disclosures required by the Applicable Requirements in the Company's disclosure documents.

8. **Delegation** – The Committee may, to the extent permissible by Applicable Requirements, designate a sub-committee to review any matter within this mandate as the Committee deems appropriate.

E. Financial Instruments, Risk Assessment and Risk Management

1. **Monitor** – The Committee shall review and monitor the management of the principal financial risks that could materially impact the reporting of the Company.

2. **Processes** – the Committee shall review and monitor the processes in place for identifying principal financial risks and reporting them to the Board.

3. **Assessment** – the Committee shall review policies with respect to the management of capital and financial instrument risk management, including:

   a. Review and periodic approval of managements financial instrument risk philosophy and management policies;

   b. Review management reports of demonstrating compliance with risk management policies; and

   c. Discussing with management, at least annually, the Company`s major financial risk exposures and the steps management has taken to monitor, control and report such risks.

F. Reporting to the Board

The Chair shall report to the Board, as required by Applicable Requirements or as deemed necessary by the Committee or as requested by the Board, on matters arising at Committee meetings and, where applicable, shall present the Committee`s recommendation to the Board for its approval.

G. General

1. **Authority –** The Committee shall, to the extent permissible by Applicable Requirements, have such additional authority as may be reasonably necessary or desirable, in the Committee's discretion, to exercise its powers and fulfill its duties under this mandate.

2. **Charter Review** – The Committee shall review this Charter on an annual basis or more frequently, as required. Where appropriate, the Committee shall propose changes to this Charter to the Board.

H. Performance Evaluation

The Committee shall assess and report annually to the Board on the performance of the Committee by comparing the performance of the Committee against this Charter and the Committee's goals and objectives for the year.

Reviewed by the Audit Committee on the 10th day of November, 2011
Reviewed by the Audit Committee on the 23rd day of March, 2011

Approved by the Board of Directors on the 14th day of November, 2011.
Approved by the Board of Directors on the 25th day of March, 2011.