GOLDGROUP MINING INC.

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2013

As of March 31, 2014

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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, 2013.

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, 2013. 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 obtaining appropriate permits and licences to explore, develop, operate and produce
- at the Company's projects;
- 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 having adequate surface rights for operations;
- 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, 2013.

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, Cerro Prieto 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, Former 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-International Financial Reporting Standards ("IFRS") 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 IFRS. 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 IFRS. These measures are not necessarily indicative of net earnings or cash flow from operations as determined under IFRS. Refer to Goldgroup's management's discussion and analysis for the year ended December 31, 2012 filed on SEDAR at www.sedar.com for a reconciliation of total cash cost to the most directly comparable IFRS 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.

The exchange rate for Canadian dollars to US dollars, based on the Bank of Canada rate at December 31, 2013 was one Canadian dollar per US$1.0636 and US$0.94. For reporting purposes, Goldgroup prepares its financial statements in US dollars and in conformity with IFRS.

Historic Gold Prices

The price of gold fluctuates with the average price increasing for the last three calendar years. The following table shows the average daily P.M. gold price fixing on the London Bullion Market for each of the three years in the period ended December 31, 2013, 2012 and 2011.

Year	Average Gold Price ($/oz.)
2013	1,411
2012	1,668
2011	1,572

1.1 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.

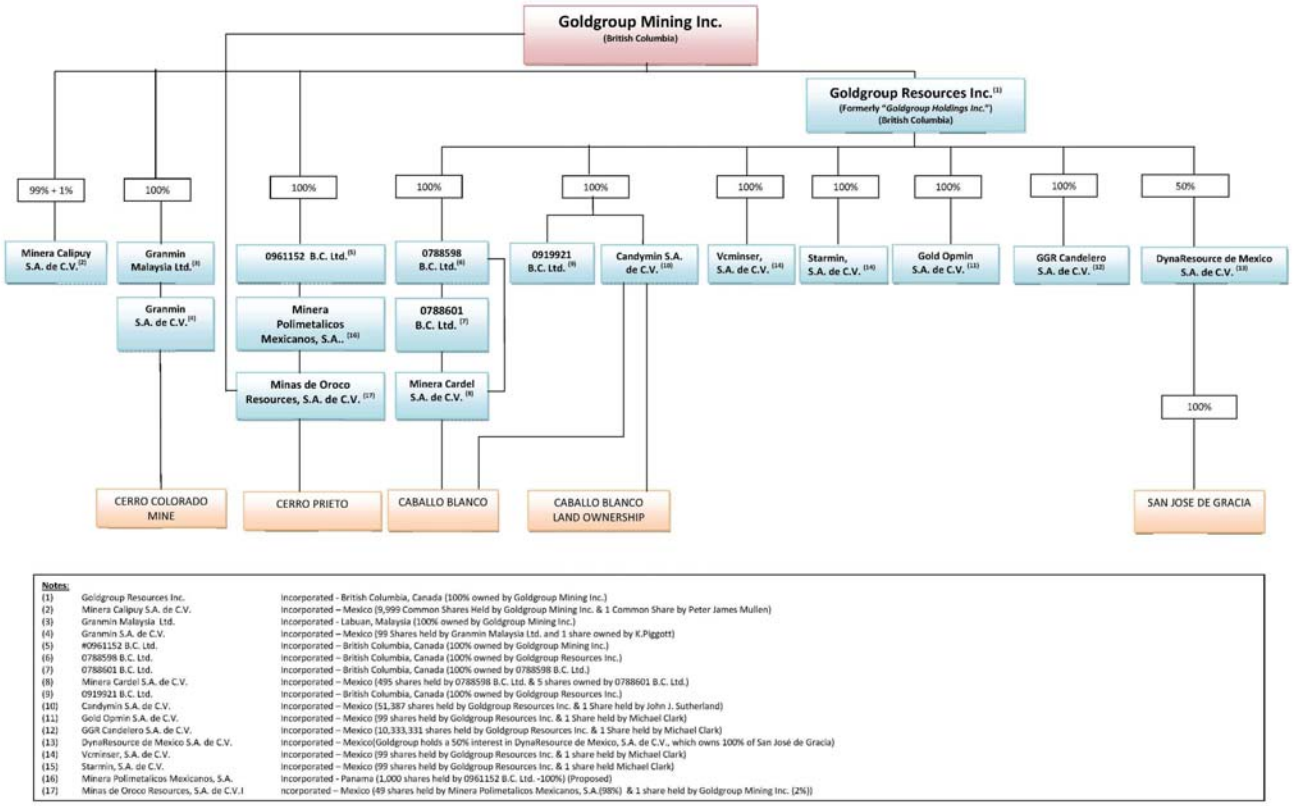
On May 7, 2010, the Company began trading on the Toronto Stock Exchange ("TSX") under its new symbol "GGA". On June 21, 2012, the Company began trading on the Sistema Internacional de Cotizaciones (SIC) of the BMV- International Segment of the Mexican Stock Exchange under the symbol BMV: GGAN.MX. Effective 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. On September 21, 2012 the Company was struck from the S&P/TSX SmallCap Index. The head office of the Company is located at Suite #1502 – 1166 Alberni Street, Vancouver, British Columbia, V6E 3Z3, Canada. The Company's registered office is located at Suite 2800, 666 Burrard Street, Vancouver, British Columbia, V6C 2Z7, Canada.

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.

INTER-CORPORATE RELATIONSHIPS

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



Notes:

(1)	Goldgroup Resources Inc.	Incorporated - British Columbia, Canada (100% owned by Goldgroup Mining Inc.)
(2)	Minera Calipuy S.A. de C.V.	Incorporated – Mexico (9,999 Common Shares Held by Goldgroup Mining Inc. & 1 Common Share by Peter James Mullen)
(3)	Granmin Malaysia Ltd.	Incorporated - Labuan, Malaysia (100% owned by Goldgroup Mining Inc.)
(4)	Granmin S.A. de C.V.	Incorporated – Mexico (99 Shares held by Granmin Malaysia Ltd. and 1 share owned by K.Piggott)
(5)	#0961152 B.C. Ltd.	Incorporated – British Columbia, Canada (100% owned by Goldgroup Mining Inc.)
(6)	0788598 B.C. Ltd.	Incorporated – British Columbia, Canada (100% owned by Goldgroup Resources Inc.)
(7)	0788601 B.C. Ltd.	Incorporated – British Columbia, Canada (100% owned by 0788598 B.C. Ltd.)
(8)	Minera Cardel S.A. de C.V.	Incorporated – Mexico (495 shares held by 0788598 B.C. Ltd. & 5 shares owned by 0788601 B.C. Ltd.)
(9)	0919921 B.C. Ltd.	Incorporated – British Columbia, Canada (100% owned by Goldgroup Resources Inc.)
(10)	Candymin S.A. de C.V.	Incorporated – Mexico (51,387 shares held by Goldgroup Resources Inc. & 1 Share held by John J. Sutherland)
(11)	Gold Opmin S.A. de C.V.	Incorporated – Mexico (99 shares held by Goldgroup Resources Inc. & 1 Share held by Michael Clark)
(12)	GGR Candelero S.A. de C.V.	Incorporated – Mexico (10,333,331 shares held by Goldgroup Resources Inc. & 1 Share held by Michael Clark)
(13)	DynaResource de Mexico S.A. de C.V.	Incorporated – Mexico(Goldgroup holds a 50% interest in DynaResource de Mexico, S.A. de C.V., which owns 100% of San José de Gracia)
(14)	Vcminser, S.A. de C.V.	Incorporated – Mexico (99 shares held by Goldgroup Resources Inc. & 1 share held by Michael Clark)
(15)	Starmin, S.A. de C.V.	Incorporated – Mexico (99 shares held by Goldgroup Resources Inc. & 1 share held Michael Clark)
(16)	Minera Polimetalicos Mexicanos, S.A.	Incorporated - Panama (1,000 shares held by 0961152 B.C. Ltd. -100%) (Proposed)
(17)	Minas de Oroco Resources, S.A. de C.V.I	ncorporated – Mexico (49 shares held by Minera Polimetalicos Mexicanos, S.A.(98%) & 1 share held by Goldgroup Mining Inc. (2%))

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. Goldgroup (through Goldgroup Resources Inc.) holds a 50% interest in DynaResource de Mexico, S.A. de C.V., which owns 100% of the San José de Gracia Project. Goldgroup also owns and operates the Cerro Colorado Mine and Cerro Prieto 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"). On September 21, 2012 the Company was struck from the S&P/TSX SmallCap Index.

1.2 THREE YEAR HISTORY

YEAR ENDED DECEMBER 31, 2013

- On January 22, 2013 Goldgroup announced that it had moved to dismiss as totally without merit a lawsuit filed against it and others in Dallas County District Court by DynaResource.
- On January 28, 2013 Goldgroup announced that it had entered into a binding agreement with Oroco Resource Corp. ("Oroco") whereby Goldgroup will acquire a 100% interest in Oroco's Cerro Prieto Project (the "Cerro Prieto Project") in Sonora State, Mexico for an initial cash payment of $4.5 million, CDN$1 million private placement of units in Oroco and up to an additional $13.5 million in payments made from future gold produced at the Project, subject to receipt of regulatory and Oroco shareholder approval. The project is permitted to mine with both the Environmental Impact Statement permit and the Change of Soil Use Authorization granted.

- On February 5, 2013 Goldgroup announced that it had closed the purchase of 5,000,000 units in Oroco Resource Corp. which was previously announced January 28, 2013. Each unit was purchased at CDN$0.20 and is comprised of one common share and one non-transferable share purchase warrant, with each warrant exercisable for two years at a price of CDN$0.25.
- On April 10, 2013, Goldgroup announced that further to the Company's news release on January 28, 2013, it had entered into a formal purchase agreement with Oroco to purchase from Oroco a 100% interest in the Cerro Prieto Project. The closing of the transaction is subject to approval by the shareholders of Oroco and the TSX Venture Exchange as well as standard closing conditions. On June 21, 2013 the shareholders of Oroco approved the transaction.
- The Closing date was extended from June 30, 2013 to August 15, 2013 by agreement between the Company and Oroco.
- On July 16, 2013 the Company also announced that it had signed a term sheet for a CDN$4 million senior secured loan facility from a wholly owned subsidiary of a New York-based, private institutional investor (the "Lender")" (the "Loan Facility"). The closing of the Loan Facility is subject to certain conditions, including but not limited to the satisfactory completion of due diligence by the lenders. The parties intend to close the Loan Facility on or about August 15, 2013. The proceeds from the Loan Facility will be applied to the closing of the Oroco transaction. Under the Loan Facility, Goldgroup will pay 15% interest annually, with nine equal principal and interest repayment installments, commencing April 30, 2014 and ending December 31, 2014. The Loan Facility can be repaid at any time without prepayment penalty. The Loan Facility will be secured by a first priority lien on all assets of the Company.
- On August 30, 2013 the Company completed the acquisition of the Cerro Prieto Project from Oroco Resources Corp. ("Oroco") by acquiring all of the issued and outstanding shares of Minera Polymetalicos Mexicanos, S.A. ("Polymetalicos"), thereby indirectly acquiring Minas de Oroco Resources, S.A. de C.V. ("MOR"). MOR owns a 100% interest in the Cerro Prieto project located in Sonora, Mexico. The Cerro Prieto project was acquired for total consideration of $8,274,654 comprised of:
    - $4,500,000 cash
    - a promissory note in the principal amount of $1,500,000 (the "First Loan"), with the principal amount of the First Loan bearing simple interest at a rate of 8% per annum. The First Loan is payable in six equal monthly instalments of $250,000 each, commencing on the later of January 31, 2015 and the first day of the month following the date the Cerro Prieto Project achieves commercial production. Interest will accrue on the principal amount of the First Loan from the date of closing of the Transaction and will be payable quarterly in arrears, on a declining balance, however, the Company's obligation to deliver such quarterly interest payments will be suspended until the Project achieves commercial production.
    - 5,500,000 common shares of the Company issued to Oroco at the date of closing;
    - A promissory note to Oroco in the principal amount of $4,125,000 (the "Second Loan"), with the principal amount of the Second Loan bearing no interest and payable on the second anniversary of the closing of the Transaction. The Company may elect at its sole discretion to pay the principal amount of the Second Loan in cash or by issuing to Oroco 16,500,000 common shares;
    - A production royalty calculated as 20% of the difference between the market price of gold and $1,250 per ounce up to a maximum of US$90 per ounce of gold produced from the Project, for the greater of (i) the first 90,000 ounces of gold produced from the Project and (ii) all ounces of gold produced from the Project until the completion of five full years of commercial production.

      o As part of the original January 28, 2013 agreement with Oroco, the Company agreed to complete a private placement for unit of Oroco for CDN$1,000,000 ($977,390 USD). On February 5, 2013 Goldgroup closed the purchase of 5,000,000 units in Oroco. Each unit was purchased at CDN$0.20 and is comprised of one common share and one nontransferable share purchase warrant, with each warrant exercisable for two years at a price of CDN$0.25.
- On August 30, 2013 the Company closed a loan agreement (the "Loan Agreement"). The Company borrowed $4,027,300 (CDN$4,250) (the "Bridge Loan") from a wholly owned subsidiary of a New York-based, private institutional investor (the "Lender") for the purpose of paying the initial cash payment of $4,500,000 to Oroco for the Cerro Prieto Project. The Loan is for a term of 16 months and is secured against all of the assets of the Company and its subsidiaries. The interest rate of the loan is 15% per annum. The principal and interest will be repaid with nine equal monthly payments commencing April 30, 2014 and ending December 31, 2014.
- On October 15, 2013, the Company received $250,000 as a reimbursement for funds previously paid to a royalty holder on Caballo Blanco to reduce their NSR. The $250,000 reimbursement represented a 0.1% increase to the NSR payable on Caballo Blanco. The total NSR payable on the project is now 2%.

- On October 28, 2013 Goldgroup announced that it filed a legal action before the appropriate criminal authorities in Mexico concerning recent activities undertaken by Koy Wilber Diepholz ("Diepholz"), shareholder, President and Chairman of the Board of Directors of DynaMexico and Chairman, Chief Executive Officer and Treasurer of DynaUSA. The purpose of the legal action case is to investigate whether illegal acts were committed by Diepholz, in his role as CEO of DynaMexico, for his own benefit and for the benefit of DynaUSA.
- On November 25, 2013 the Company announced that the first material at the Cerro Prieo Project had been crushed. The phase one leach pad and ponds were completed and stacking of crushed material was planned to commence immediately with leaching commencing shortly thereafter. The Company also stated that it wished to make clear that was is not basing its production decision on a preliminary economic assessment demonstrating the potential viability of mineral resources or a feasibility study of mineral reserves demonstrating economic and technical viability, and as a result there is increased uncertainty and multiple technical and economic risks of failure which are associated with this production decision.

Subsequent Events

- On January 9, 2014 the Company announced that it had started producton and produced 285 ounces of gold from the initial gold production in December 2013 from its Cerro Prieto Project.
- On January 14, 2014, the Company announced that it had obtained an injunction against issuance of the 300 new shares purportedly issued by DynaResources de Mexico, S.A. de C.V. ("DynaMex") in favor of DynaResource, Inc. ("DynaUSA") from a Federal Judge of the Mexican Court. The injunction freezes the shares pending trial regarding DynaMex's issuance of the new shares. Before the new shares were purportedly issued, Goldgroup was a 50% shareholder in DynaMex, the company that owns the San Jose de Gracia high-grade gold project in Sinaloa, Mexico. DynaUSA was a 49% shareholder, and Koy Wilber Diepholz ("Diepholz"), DynaUSA's Chairman, Chief Executive Officer and Treasurer, held the remaining 1% interest. This injunction is part of a number of cases being brought by Goldgroup against Diepholz in the Mexican Courts, including the criminal action to investigate whether illegal acts were committed by Diepholz, in his role as CEO of DynaMex, for his own benefit and for the benefit of DynaUSA.
- On February 27, 2014 the Company announced that it received the permit for use of explosives from the Mexican military called SEDENA ("Secretary of National Defense"). This represents the final permit necessary for full-scale operations at the Cerro Prieto project.
- On March 11, 2014 the Company announced that the lawsuit filed against it and others in Dallas County District Court by DynaResource, Inc. and DynaResource de Mexico, S.A. de C.V. (refer to January 22, 2013 news release) has been retracted by the plaintiffs effective March 7, 2014 with all parties bearing their own costs and attorneys' fees incurred.
- On March 14, 2014 the Company announced that its wholly-owned subsidiary Goldgroup Resources Inc. has filed for arbitration in Denver, Colorado against DynaResource, Inc. to protect its interests pursuant to the San Jose de Gracia Earn-in Option Agreement dated September 1, 2006.
- On March 31, 2014 the Company announced that Sonoran Resources LLC and its Mexican subsidiary, SR Servicios Mineros, S.A. de C.V. (jointly, "Sonoran"), have filed a lawsuit in Arizona, USA against Oroco Resource Corp. ("Oroco"), Minas de Oroco Resources S.A. de C.V. ("Minas de Oroco") and Goldgroup. The lawsuit arises from Oroco's sale of the Cerro Prieto project to Goldgroup (the "Acquisition") and pertains to certain contracts (the "Sonoran Contracts") that were in place between Oroco, Minas de Oroco and Sonoran prior to the Acquisition. Sonoran alleges that Goldgroup breached contracts between Sonoran and Oroco and Minas de Oroco, to which Goldgroup was not a party, and that it intentionally interfered with Sonoran's business expectations, causing the loss of net profits from the fees claimed to be payable pursuant to the Sonoran Contracts if they had been carried out. Goldgroup is protected by an indemnity agreement between it and Oroco, which includes all damages and costs that relate to a lawsuit such as this. Sonoran is seeking damages in an amount to be determined at trial, but claimed to be in excess of US$3,000,000. Goldgroup maintains that the Sonoran Contracts were terminated in accordance with the terms of those contracts. It is Oroco's position that this lawsuit, and the various claims being advanced in it by Sonoran, is an ill-advised legal strategy intended to force Oroco to pay a net US$177,066.43 (after deduction for double-billing by Sonoran) in unsupported, post-closing invoices.

The following are the Director, Officer and management changes made during the year ended December 31, 2013:

i) Mr. Francisco J. Escandon-Valle was a Director of Goldgroup from June 30, 2010 to June 11, 2013; ii) Mr. Lenard F. Boggio was a Director of Goldgroup from May 10, 2012 to June 11, 2013; iii) Mr. Chester F. Millar was as a Diector of Goldgroup between April 26, 2012 to June 11, 2013. Mr. Millar served also served as Chairman of Goldgroup from November 13, 2012 to June 11, 2013; iv) Effective June 11, 2013, the Company appointed the following Directors to the Board of Directors of Goldgroup: a) Mr. Donald R. Siemens; b) Mr. Francisco Javier Reyes; c) Mr. Enrique Alberto Rodriguez Peralta; and d) Gabino Fraga Pena; v) . Dr. Hans Von Michaelis was a Director of Goldgroup from June 10, 2010 to, November 14, 2013. Dr. Von Michaelis also served as President & CEO of Goldgroup between Novemebr 13, 2012 to June 26, 2013; vi) On June 11, 2013 Keith Piggott was appointed Chairman of Goldgroup and on June 26, 2013 also President & CEO replacing Hans von Michaelis; vii) Mr. Kevin Sullivan was the Vice President Exploration of Goldgroup from July 11, 2007 to July 1, 2013; viii) Ms. Brigitte McArthur was the Corporate Secretary of Goldgroup from April 11, 2011 to July 5, 2013; and ix) Mr. Michael Clark was appointed Corporate Secretary on July 5, 2013.

YEAR ENDED DECEMBER 31, 2012

- On January 3, 2012 the Company produced an updated technical report on the San José de Gracia.
- On February 15, 2012 the Company produced an updated technical report on the Caballo Blanco Gold Project based on drilling completed in 2010 and 2011**.**
- Effective April 11, 2012, the Company and NGEx Resources Inc. ("NGEx") terminated the 1.5% Net Smelter Return ("NSR") royalty that NGEx held with respect to 70% of gold production, representing a 1.05% NSR on total gold production, from the Caballo Blanco Project for consideration of Cdn$1,000,000 cash and 2,200,000 common shares of Goldgroup. In addition, withholding taxes of approximately $280,000 were paid by the Company in the second quarter of 2012. There is no longer a C$5,000,000 advance royalty payment due to NGEx within 30 days following the commencement of commercial production of the project. The total NSR on the Caballo Blanco project is now 1.9%.
- On April 12, 2012, the Company announced initial results from its Preliminary Economic Assessment ("PEA") for the Caballo Blanco Project.
- On May 16, 2012 the Company released an updated technical report on the Cerro Colorado mine.
- On June 12, 2012, the Company submitted responses to the list of comments from the Secretaría de Medio Ambiente y Recurso Naturales ("SEMARNAT"), also known as the Ministry of Environmental and Natural Resources, received on March 13, 2012, regarding its previously submitted Environmental Impact Statement ("EIS").
- During the fourth quarter of 2012 and during the first quarter of 2013, Goldgroup has significantly reduced overhead and operating costs. Further cost reducing measures continue to be made where appropriate.
- On December 31, 2012 management elected to discontinue exploration on the El Candelero property. Accordingly, exploration costs of $489,337 were written off in the period.
- On December 31, 2012, the company recorded an impairment charge of $1,576,221 on the Cerro Colorado mine.
- In October 2012, the Company installed a new secondary crusher for Cerro Colorado. The total cost for the new secondary crusher was $1,088,746, including installation costs. The secondary crusher is expected to improve recoveries and will be capable of being transferred to another site.
- On September 14, 2012, the Company deferred the evaluation of the Environmental Impact Statement ("EIS") for Caballo Blanco, as Mexico has undergone a change in Federal government and the Company recognized the importance of working with the transitioning team and new authorities to integrate their requirements for the development of the project. Management continues to work with the new authorities that are now in place and are improving studies relating to the permit application.
- Gold production at Cerro Colorado for the second half of 2012 decreased significantly resulting in cash costs per ounce of $1,841. The largest factor to decreased production was crusher circuit down time causing the mining activities to focus on stripping of waste. This resulted in the waste to ore ratio increasing to 3.54 during the second half of the year. Another factor contributing to the increased costs was that there was difficulty getting the cyanide levels under control along with controlling the extra copper that was released into the system due to applying 600ppm of cyanide in an attempt to boost recovery and withstand the rainy season.

The following are the Director, Officer and management changes made during the year ended December 31, 2012:

i) Effective April 10, 2012, the Company announced that Mr. Robert Byford resigned from the Board of Directors of Goldgroup; ii) On April 23, 2012, Mr. Lenard F. Boggio agreed to be appointed to the Board of Directors of Goldgroup, effective May 10, 2012; iii) On April 26, 2012, the Company appointed Mr. Chester F. Millar to the Board of Directors of Goldgroup; iv) Effective April 30, 2012, the Company announced that Dr. Paul L. Zweng resigned from the Board of Directors of Goldgroup and has taken an advisory role as part of Goldgroup's Board of Advisors; v) Richard Irvine was appointed General Manager, Caballo Blanco effective May 25, 2011 and resigned on February 23, 2012; vi) On October 11, 2012, the Company appointed Executive Chairman, Gregg J. Sedun, to fill the role of interim President and Chief Executive Officer, replacing Keith Piggott. Mr. Piggott remains a member of the Board of Directors.; vii) Patrick Glynn was appointed Vice President, Technical and Project Exploration effective February 1, 2012 and resigned effective October 30, 2012; viii) Effective November 1, 2012, the Company appointed Dustin VanDoorselaere as the Company's Vice President, Operations. ix) on November 13, 2012 Chester F. Millar was appointed Chairman of the Company replacing Gregg J. Sedun. Mr. Sedun remains a member of the Board of Directors of the Company; x) on November 13, 2012 Hans von Michaelis was appointed President and Chief Executive Officer of the Company replacing Gregg J. Sedun; and xi) on November 13, 2012 Mr. Michael Clark was appointed Chief Financial Officer of the Company replacing Mr. John J. Sutherland.

YEAR ENDED DECEMBER 31, 2011

- During the first quarter of 2011, the Company completed 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 a 50% equity interest in DynaMexico, which is the 100% of the San Jose de Gracia Project. Goldgroup achieved its 50% interest in DynaMexico 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) Dustin Vandoorselaere was appointed Projects Manager effective May 25, 2011; and iii) Brigitte McArthur was appointed Corporate Secretary on April 11, 2011.

1.3 SIGNIFICANT ACQUISITIONS

The Company completed one significant acquisition during the year ended December 31, 2013 for which disclosure is required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*. The particulars are of the acquisition is as follows:

On August 30, 2013 the Company completed the acquisition of the Cerro Prieto Project from Oroco Resources Corp. ("Oroco") by acquiring all of the issued and outstanding shares of Minera Polymetalicos Mexicanos, S.A. ("Polymetalicos"), thereby indirectly acquiring Minas de Oroco Resources, S.A. de C.V. ("MOR"). MOR owns a 100% interest in the Cerro Prieto project located in Sonora, Mexico. The Cerro Prieto project was acquired for total consideration of $8,274,654 comprised of:

- $4,500,000 cash
- a promissory note in the principal amount of $1,500,000 (the "First Loan"), with the principal amount of the First Loan bearing simple interest at a rate of 8% per annum. The First Loan is payable in six equal monthly instalments of $250,000 each, commencing on the later of January 31, 2015 and the first day of the month following the date the Cerro Prieto Project achieves commercial production. Interest will accrue on the principal amount of the First Loan from the date of closing of the Transaction and will be payable quarterly in arrears, on a declining balance, however, the Company's obligation to deliver such quarterly interest payments will be suspended until the Project achieves commercial production.
- 5,500,000 common shares of the Company issued to Oroco at the date of closing.
- A promissory note to Oroco in the principal amount of $4,125,000 (the "Second Loan"), with the principal amount of the Second Loan bearing no interest and payable on the second anniversary of the closing of the Transaction. The Company may elect at its sole discretion to pay the principal amount of the Second Loan in cash or by issuing to Oroco 16,500,000 common shares.
- A production royalty calculated as 20% of the difference between the market price of gold and $1,250 per ounce up to a maximum of US$90 per ounce of gold produced from the Project, for the greater of (i) the first 90,000 ounces of gold produced from the Project and (ii) all ounces of gold produced from the Project until the completion of five full years of commercial production.
- As part of the original January 28, 2013 agreement with Oroco, the Company agreed to complete a private placement for unit of Oroco for CDN$1,000,000 ($977,390 USD). On February 5, 2013 Goldgroup closed the purchase of 5,000,000 units in Oroco. Each unit was purchased at CDN$0.20 and is comprised of one common share and one nontransferable share purchase warrant, with each warrant exercisable for two years at a price of CDN$0.25.

DESCRIPTION OF THE BUSINESS

1.4 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 during the year ended December 31, 2013 was 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.

Subsequent to December 31, 2013 the Company's operating revenue increased in January 2014 derived from the sale of refined precious metals produced at its Cerro Prieto Mine.

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 operations 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

At December 31, 2013, trade and other accounts payable includes $71,424 (December 31, 2012 - $203,420; December 31, 2011 - $45,503) 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 estranged spouse of the Keith Piggott, the Company's current Chairman, President, CEO and a Director of the Company. 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 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, 2013, amounts owing from (to) Pabelini totalled $(77,150) (2012 - $49,144). During the year ended December 31, 2013, the Company paid a total of $141,314 to Pabelini and a total of $160,091 during the year ended December 31, 2012.

In addition to Pabelini, a number of expatriate workers and Caballo Blanco employees, including the Company's former President and CEO, are employed by MINOP, S.A. de C.V. ("Minop"). Minop is a private company controlled by the step-son of the Company's current Chairman, President and 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 $35,232 (2012 - $62,075) is meant to reimburse Minop for administrative costs incurred by the company in providing these services. As at December 31, 2013, amounts owing to (from) Minop totalled $80,043 (2012 - $397,510 – this included employment severance accrual in the amount of $275,000).

Goldgroup employs two employees at its head office in Vancouver, British Columbia. The payroll management companies employ approximately 138 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. The Company has also approved and adopted an 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.

1.5 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.

Goldgroup has a CDN$4 million senior secured loan facility (the 'Loan Facility). Under the Loan Facility, Goldgroup will pay 15% interest annually, with nine equal principal and interest repayment installments, commencing April 30, 2014 and ending December 31, 2014. The Loan Facility can be repaid at any time without prepayment penalty. The Loan Facility is secured by a first priority lien on all assets of the Company. Goldgroup can not assure that it will be able to meet with the terms and conditions of the Loan Facility and therefore this is a risk factor of the Company.

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 Dated May 14, 2012 and effective February 29, 2012 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 it is reliable on its Cerro Colorado Mine as a source of revenue. As of September 30, 2013, the Company stopped full scale mining operations and is continuing to process fold from the leach pad.

Thereare no assurances of future economical production for the Cerro Prieto Mine

In December 2013 the Company commenced producion of gold at its Cerro Prieto Mine. The initial gold production from the heapleachine mine during December 2013 was 285 ounces of gold. There can be no assurances for future gold production at the Cerro Prieto Mine which would be considered economical.

Exploration at Cerro Colorado may not be successful

While historically the Cerro Colorado Mine has been economically productive, there can be no assurance that any new mineral resources, if any, can be identified or mined profitably. Ultimately, economic factors beyond the control of the Company may result in the mine being unable to operate at a profit. As of September 30, 2013, the Company stopped full scale mining operations and is continuing to process fold from the leach pad.

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 will require additional capital to finance other acquisitions and current projects. 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. The Company anticipates that further financing will be required in order for the Company's projects to be successful.

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 or the Cerro Prieto 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;
- international economic and political conditions;
- 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 will need to raise additional capital

Goldgroup will 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's Obligations under a Loan Facility

Goldgroup has a CDN$4.25 million senior secured loan facility (the 'Loan Facility). Under the Loan Facility, Goldgroup will pay 15% interest annually, with nine equal principal and interest repayment installments, commencing April 30, 2014 and ending December 31, 2014. The Loan Facility can be repaid at any time without prepayment penalty. The Loan Facility is secured by a first priority lien on all assets of the Company. Goldgroup can not assure that it will be able to meet with the terms and conditions of the Loan Facility and therefore this is a risk factor of the Company.

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 conflicts with DynaResource Inc. ("DynaUSA") which is the other 50% equity owner of DynaMexico. Goldgroup has appointed two members of DynaMexico's 3 member management committee, which oversees the expenditures and approves the budgets for such expenditures. The board of DynaMexico is to be comprised of five members with DynaUSA and Goldgroup each having two members and for which one additional member was to be agreed upon by both DynaUSA and Goldgroup which has yet to occur.

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

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

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

On January 14, 2014, the Company announced that it had obtained an injunction against the 300 new shares purportedly issued by DynaResources de Mexico, S.A. de C.V. ("DynaMex") in favor of DynaResource, Inc. ("DynaUSA") from a Federal Judge of the Mexican Court. The injunction freezes the shares pending trial regarding DynaMex's issuance of the new shares. Before the new shares were purportedly issued, Goldgroup was a 50% shareholder in DynaMex, the company that owns the San Jose de Gracia high-grade gold project in Sinaloa, Mexico. DynaUSA was a 49% shareholder, and Koy Wilber Diepholz ("Diepholz"), DynaUSA's Chairman, Chief Executive Officer and Treasurer, held the remaining 1% interest. For full disclosure refer to the section Legal Proceedings and Regulatory Actions" located in this Annual Information Form.

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 land and/or surface rights

Goldgroup may require additional surface rights to exploit the resources on its properties. Goldgroup will require access to additional land beyond that currently owned, which will require negotiations with private landowners for the additional ownership and/or surface rights in order for Goldgroup to fully operate. 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 or negotiate successfully with private landowners 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 overseen the construction of the Cerro Prieto mining project in 2013.

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 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.

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

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

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

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

Subsequent to December 31, 2013

On January 14, 2014, the Company announced that it had obtained an injunction against the 300 new shares purportedly issued by DynaResources de Mexico, S.A. de C.V. ("DynaMex") in favor of DynaResource, Inc. ("DynaUSA") from a Federal Judge of the Mexican Court. The injunction freezes the shares pending trial regarding DynaMex's issuance of the new shares. Before the new shares were purportedly issued, Goldgroup was a 50% shareholder in DynaMex, the company that owns the San Jose de Gracia high-grade gold project in Sinaloa, Mexico. DynaUSA was a 49% shareholder, and Koy Wilber Diepholz ("Diepholz"), DynaUSA's Chairman, Chief Executive Officer and Treasurer, held the remaining 1% interest.

On May 17, 2013 DynaMex held an extraordinary shareholders meeting (the "Meeting") without following the proper legal process or providing the correct notification to Goldgroup. The Meeting was, apparently, attended by representatives of DynaUSA. Goldgroup did not attend as it was not properly notified of the Meeting. In the Meeting, DynaUSA and Diepholz purported to approve the financial statements for the year ended December 31, 2012, which included unaudited accounts payable amounts which were to the benefit of DynaUSA and were never approved by Goldgroup. In the Meeting, DynaUSA and Diepholz purported to increase DynaMex's equity by means of capitalization of the aforementioned accounts payable and purported to issue 300 new shares of DynaMex in favor of DynaUSA.

Goldgroup considers that such a meeting was in violation of a number of legal requirements, including but not limited to, the bylaws of DynaMex, the capitalization of debt (accounts payable) without the prior approval of the Financial Statements of the company and by voting such capitalization by a shareholder (DynaUSA) for its own benefit. Under Mexican Law, parties with a conflict of interest must abstain from voting in such a manner. As a result of such a capital increase, DynaUSA has attempted to dilute Goldgroup's ownership in DynaMex, purporting to become the owner of 80% of DynaMex.

Due to the foregoing, Goldgroup initiated, before the Mexican Federal authorities, a suit concerning the Meeting and, as a precautionary measure, requested that the Judge freeze the 300 shares issued to DynaUSA. On December 13, 2013, the Judge issued an injunction in order to maintain the status quo of DynaMex as it was before the Meeting (i.e. Goldgroup owning 50% of the shares of DynaMex) until the trial occurs. In order to freeze the shares, the Judge has requested that Goldgroup post a bond (the "Bond") which the Company is in the process of posting.

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

This injunction is part of a number of cases being brought by Goldgroup against Diepholz in the Mexican Courts, including the criminal action as previously announced in the October 28, 2013 Goldgroup News Release which can be found on SEDAR (www.sedar.com).

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.

1.6 MINERAL PROJECTS

1.6.1 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

	Claim Name	Title #	Recorded	Hectares	Costs - 2011
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 Annual Information Form, 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.

Goldgroup has drilled a total of 167 holes totalling 45,874 metres at the La Paila zone and 13 holes totalling 2,524 metres on other target areas on the property 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. Goldgroup has driven a 249.15 metre long 3m by 3m underground access route into the north central portion of the La Paila mineralized body.

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.

Results obtained to date from the various exploration programmes are considered reliable enough to estimate resources and to conduct a preliminary economic assessment which gives the project an NPV of US$283.8 million pre-tax at a 5% discount rate.

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

Two hundred and twenty (220) core holes and thirty six (36) 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

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). Seven additional holes were drilled at La Paila (11CBN-179 to 11CBN-181, 11CBN-183 and 11CBN-185 to 187), however these holes were not included in resource estimations by Giroux for the Caballo Blanco Technical Report as the assays had not been received from the laboratory when the resource estimate was being prepared.

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. 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.

Goldgroup drilling - 2012/2013

During 2013 Goldgroup did not perform any drilling at its Caballo Blanco Project.

In 2012 Goldgroup completed 13,574 meters of drilling, for a total of 167 holes to date from 2010 to 2012 at the La Paila Zone. This drilling targeted expansion of the La Paila Zone to the south, southwest and northeast and was designed to expand and to upgrade the current mineral resource.

In 2012, the drill program was specifically focused on further defining the extent of mineralization around the existing estimated mineral resource at the La Paila Zone. 32 of the 57 drill holes reported below (see Table below) contain intervals above the established cut-off grade and were part of the drill program intended to increase the contained mineral resource at Caballo Blanco. Of the 57 drill holes reported below, 16 of these drill holes further define the area of the La Paila estimated mineral resource, and the remaining 41 drill holes were drilled to expand the southwestern flank of the La Paila Zone as well as test the mineralization at depth. The 2012 diamond drill results further defined and expanded the La Paila Zone.

At the time the NI 43-101 compliant mineral resource estimate in February 2012 was published, four drill holes assay results drilled in 2011 had not been received (11CBN179-181 and 11CBN183) and these results are now also included in the table below.

Since the current drilling results at the La Paila zone are considered sufficient for mine planning, drilling has now been halted. Drill data interpretation continues as part of the engineering mine development process. This includes comparing resource grades with lithologies and rock-quality designation ("RQD") to evaluate metallurgical recoveries against crush size selection. This will determine the process crush size and facilitate optimisation of pit planning.

Assay results for the 2012 drill program above a 0.2g/t cut off are shown in the table below:

Drill Hole	**Mineralisation**			
	From (m)	**To (m)**	**Interval (m)**	**Au grade (g/t)**
11 CBN 179	23.28	41.28	18.00	0.36
11 CBN 179	111.28	140.30	29.02	0.61
11 CBN 180	213.25	221.25	8.00	0.32
11 CBN 180	377.25	396.42	19.17	0.56
11 CBN 181	238.95	246.95	8.00	0.33
11 CBN 181	258.95	262.50	3.55	2.06
11 CBN 183	27.30	45.30	18.00	1.29
11 CBN 183	89.30	149.00	59.70	1.08
11 CBN 184	449.24	462.98	13.74	1.54
11 CBN 186	233.40	237.55	4.15	0.82
11 CBN 186	251.04	261.18	10.14	0.60
11 CBN 187	186.05	192.05	6.00	0.49
12 CBN 191	247.50	294.10	46.60	0.30
12 CBN 191	311.10	322.50	11.40	0.21
12 CBN 192	233.05	251.85	18.80	0.40
12 CBN 192	309.50	340.50	31.00	0.98
12 CBN 192	361.50	376.50	15.00	0.45
12 CBN 195	378.50	391.00	12.50	1.11
12CBN-198	99.9	113.65	13.75	2.37
12CBN-198	145.24	151.24	6	0.24
12CBN-198	159.25	260.3	101.05	0.52
12CBN-198	268.3	298.95	30.65	0.33
12CBN-198	305.1	313.1	8	0.28
12CBN-203	394.5	406.5	12	0.46
12CBN-205	97.8	111.3	13.5	0.22
12CBN-205	262.65	267.8	5.15	0.70
12CBN-207	260.1	277.7	17.6	0.30
12CBN-212	154	165.7	11.7	0.95
12CBN-213	208.5	222.5	14	0.28
12CBN-214	89.3	131.75	42.45	0.38
12 CBN 214	224	230	6	0.29
12CBN-214	260.7	264.25	3.55	0.90
12CBN-216	270.11	282	11.89	0.45
12CBN-217	183.6	195.6	12	0.39

Drill Hole	Mineralisation			
	From (m)	To (m)	Interval (m)	Au grade (g/t)
12 CBN 217	391.6	399.6	8	0.27
12CBN-219	41.25	60.5	19.25	0.31
12CBN-219	70	95	25	0.65
12CBN-219	125.1	131.1	6	0.24
12CBN-220	264.6	291.6	27	0.68
12CBN-221	70.8	106.5	35.7	0.76
12CBN-221	118.25	135.3	10.75	0.99
12CBN-221	145.95	157.95	12	0.26
12CBN-222	82.6	176.6	94	1.24
12CBN-226	67.3	214.6	147.3	0.57
12CBN-227	102.8	166.8	64	0.48
12CBN-227	174.8	180.8	6	0.23
12CBN-227	208.8	236.8	28	0.26
12CBN-227	244.8	252.8	8	0.20
12CBN-228	118.16	157.16	39	0.52
12CBN-228	227.7	237.7	10	0.28
12CBN-228	251	256.2	5.2	1.15
12CBN-228	278	282.9	4.9	0.33
12CBN-231	106.35	122.44	16.09	0.42
12CBN-231	139.8	145.8	6	0.65
12CBN-231	176.25	255.92	79.67	0.76
12CBN-231	269.92	273.8	3.88	0.23
12CBN-231	280	292	12	0.29
12CBN-231	313.1	319	5.9	0.25
12CBN-232	42.55	133.1	90.55	1.08
12CBN-232	147.1	191.6	44.5	0.54
12CBN-232	199.6	204.12	4.52	0.47
12CBN-232	269.7	280.55	10.85	0.37
12 CBN 232	305	336.35	31.35	0.48
12CBN-233	34.8	40.8	6	0.80
12CBN-235	51.85	59.5	7.65	0.29
12CBN-235	82.35	141.9	59.55	0.46
12CBN-235	176.6	183.85	7.25	0.51

These subsequent drill results confirm the continuity of the La Paila mineralisation and do not materially affect the mineral resource estimate dated February 7, 2012 prepared by Jim Cuttle, P. Geo., and Gary Giroux, P. Eng., of Giroux Consultants Ltd.

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.

The Canadian Gold Hunter (Minera Cardel) 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).

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 - 2013

During 2013 the Company did not prepare any sampling or analysis on the Caballo Blanco Project.

Sample Preparation and Analysis - 2012

A total of 48 core holes were completed at La Paila (12CBN 188 to 12CBN-235) during the first half of 2012. 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. All drill holes were surveyed using a Reflex EZ shot. The 2012 drill program continued to identify the extents of the low-grade bulk mineable gold at La Paila. 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.

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

Sample Preparation and Analysis - 2010/2011

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) - 2013

During 2013 the Company did not perform any Quality assurance tests.

Quality Assurance - Quality Control (QA-QC) - 2012

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 deviations 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.

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- 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.

Sample Security – 2013

During 2013 the Company did not have any Sample Security on the Caballo BlanoProject.

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.

After project geologists logged and marked the core, technicians cut the individual lengths with a diamond saw, then tagged the bags and secured them with security 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.

Sample Security – 2012

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.

After project geologists logged and marked the core, technicians cut the individual lengths with a diamond saw, then tagged the bags and secured them with security 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 12CBN187 to 12CBN235).

Sample Security – 2013

During 2013 the Company did not have any Sample Security on the Caballo BlanoProject.

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.

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 cut-offs. No economic studies have been completed at this time so a true economic cut-off is unknown. A cut-off of 0.2 g/t Au has been highlighted as a possible open pit cut-off.

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. The data below has been 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.

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 Au (g/t)	Grade>Cut-off Ag (g/t)	Contained Metal Au (ozs)	Contained Metal 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 Au (g/t)	Grade>Cut-off Ag (g/t)	Contained Metal Au (ozs)	Contained Metal 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 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. The tunnel 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. This was advanced by drilling and blasting of approximately 4.5 metres in length per day. 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. On October 31, 2012 Mr. Glynn resigned as Vice President, Technical and Projects. Francisco Escandon-Valle was the Company's Technical Director and resigned as the Technical Director effective July 31, 2012. The former General Manager of Caballo Blanco resigned from Goldgroup on February 23, 2012. Mr. VanDoorselaere was appointed Projects Manager effective May 25, 2011. Effective November 1, 2012 Dustin VanDoorselaere was appointed Vice President, Operations.

Status of Project Plans

The Company released an updated technical report on the Caballo Blanco gold project on February 10, 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.

During 2013 the Company did not drill at the Caballo Blanco Project.

As previously disclosed in the Company's Annual Information Form dated March 31, 2013, a total of 180 holes had been drilled at the Caballo Blanco project by the Company. Of these holes, 167 were drilled at La Paila and 13 were drilled on areas on the Caballo Blanco property but outside of the main La Paila zone. A total of 112 holes were incorporated into the February 2012 updated mineral resource estimate. The Company has now received assays for all of the remaining drill holes from its 2011 and 2012 drill programs. In 2011, the Company completed 32,345 meters of diamond drilling. In 2012, a total of 13,574 metres of drilling was completed on the La Paila zone at the Caballo Blanco Property.

The Company released its preliminary economic assessment (PEA) study on the Caballo Blanco project on April 12, 2012. Based on the PEA, the Caballo Blanco project is expected to generate a 66.4% pre-tax internal rate of return ("IRR") and a US$283.8 million pre-tax net present value ("NPV") at a 5% discount rate, over an approximate 7.5-year mine life and produce 687,000 ounces of gold and 1.3 million ounces of silver, based on the current mineable resource determined from the Whittle optimization model.

A technical report dated May 7, 2012 entitled "Minera Cardel Resource Corp. – Caballo Blanco Gold Heap Leach Preliminary Economic Assessment" (the "PEA") was filed on SEDAR on May 10, 2012 and the Company's website. The authors of the PEA were KD Engineering of Tucson, Arizona, U.S.A. The PEA is preliminary in nature, includes inferred mineral resources that are too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The Environmental Impact Assessment ("EIS") was presented to the federal environmental regulatory agency in Mexico, Secretaría de Medio Ambiente y Recurso Naturales ("SEMARNAT"), on December 15, 2011. On March 13, 2012, the Company received comments on the EIS application from SEMARNAT. The comments requested more information on risk mitigation, along with environmental protection and rehabilitation, of several aspects of the proposed mining operations. On June 11, 2012 Goldgroup submitted responses to the comments received from SEMARNAT on March 13, 2012, regarding the EIS.

The responses are standard procedure in the environmental permitting process and are intended to clarify certain aspects of Goldgroup's permit application, as well as facilitate SEMARNAT's review of the EIS. On September 14, 2012, the Company deferred the evaluation of the EIS for Caballo Blanco, as Mexico was undergoing a change in Federal government and the Company recognized the importance of working with the transitioning team and new authorities to integrate their requirements for the development of the project. The environmental permitting process is governed by Mexican federal law and regulations.

Goldgroup is working on three environmental studies that have been brought forth through the EIS permitting process which includes:

- Incorporating changes that arose at Caballo Blanco as a result of the PEA, including a haulage tunnel, connection to the electrical grid and modification to the pit outline, waste dump and leach pad. DNA Mining of Chihuahua Mexico is currently undertaking a trade-off study of the electrical grid. An independent Mexican Mining Consultant is currently contracted to complete a detailed mine design plan.
- Providing additional information on the management of Cicadas, which are an endangered species in the area. The Company is working on ensuring that strategic plans to ensure their transplant and survival, as well as an environmental management plan to increase their numbers, is completed.
- Completing additional studies on the Actopan watershed to ensure that there is sufficient water resource to support the project.

The Change in Soil Use Permit, also known as the Estudio Técnico Justificativo para Cambio de Uso de Suelo ("ETJ"), was submitted to SEMARANT on December 16, 2011. The ETJ permit was returned to Goldgroup and it included comments from SEMARNAT requesting further details as follows:

- Rescue programs for protected flora species
- Environmental mitigation measures for the project and how Goldgroup will measure its success
- Ecosystems affected by the use of environmental services (water, soil, air, etc.) required for the project
- Economic and social benefits of the project

Goldgroup is currently working with the relevant Federal, State and local authorities to ensure that the Company addresses these environmental comments and expects to reactivate the EIS and ETJ submissions. When the enhanced ETJ and EIS applications are submitted Goldgroup will also include all information on additional land which has been acquired since the time of the initial filing of the ETJ application.

Based on initial results from the PEA, management estimates that the Caballo Blanco project will require a combined period of twelve months for detailed engineering and construction time from the date of anticipated approval of the EIS, ETJ and related permits.

The local municipal authority has alleged that underground workings at the Caballo Blanco site have encroached on a neighboring surface property and could potentially cause harm to the landowners. Goldgroup retained surveyors who have confirmed that no such encroachment has occurred and that no such danger exists. Until this encroachment issue is resolved, the municipal authority has restricted access to certain areas of the Caballo Blanco property as a result of the alleged encroachment. The Company has applied to the Mexican courts for formal restoration of access to the Caballo Blanco site. The courts are currently in the process of rendering a judgment and issuing notifications to the parties involved.

Goldgroup has substantially reduced spending on this project until it can obtain the necessary permits and land required to develop the project.

1.6.2 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. 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 a higher volume of indicated mineral resources as compared to the mineral resources estimate contained in the technical report released by Goldgroup due to the use of different qualified persons and their corresponding assumptions and parameters.

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. DynaMexico is 50% owned by DynaUSA, a Delaware company, and 50% owned by Goldgroup Resources Inc. (a 100% owned subsidiary of Goldgroup Mining Inc.) (references to "Goldgroup" in this section 1.7.2 of the Annual Information Form mean Goldgroup Resources Inc. and Goldgroup Mining Inc.). 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

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

Current Land Concessions - San José de Gracia

Claim Name	Claim Number	Staking date	Expiry	Hectares	Taxes/ha (pesos)
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 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. In late 2011 grid electric power was installed to the town by the Mexican government.

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. A qualified person has not done sufficient work to classify the historical estimates as current mineral resources or mineral reserves. The Company is not treating the historical estimates as current mineral resources or mineral reserves. 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 drill core 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. A qualified person has not done sufficient work to classify the historical estimates as current mineral resources or mineral reserves.

The Company is not treating the historical estimates as current mineral resources or mineral reserves. 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 uncomfortably 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.
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, Former Vice Preisdent of Goldgroup 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 leach ability 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 flow sheet 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. 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.

Unless otherwise stated the information below has been 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.

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

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
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

Metallurgical, environmental, permitting, legal, title and socio-economic factors have been considered in the resource estimation. The mineral resources are acceptable for preliminary economic planning and areas of uncertainty that may materially affect the resource estimations include operating and capital assumptions.

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, totaling 127,921 oz/Au, and at San Pablo of 1,307,509 tonnes, with an average grade of 6.52 g/t, totaling 274,171 oz/Au, and aggregate inferred mineral resources of 3,953,143 tonnes, with an average grade of 5.83 g/t, totaling 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 Goldgroup due to the use of different qualified persons and their corresponding assumptions and parameters.

The current mineral resource estimate is expected to be used to support a future preliminary economic assessment for development of the project.

The Company continues to provide funding to maintain the concessions in good standing.

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.

On January 22, 2013 Goldgroup announced that it has dismissed as totally without merit a lawsuit filed against it and others in Dallas County District Court by DynaResource, Inc. and DynaResource de Mexico, S.A. de C.V. (collectively "DynaResource"). The Company believes that DynaResource's lawsuit has no legal basis and intends to vigorously challenge the lawsuit and pursue all of its legal rights and remedies.

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

1.6.3 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 "Technical Report on Resources Cerro Colorado Gold Mine, Sonora Mexico" dated May 14, 2012 and effective February 29, 2012 (the "Cerro Colorado Technical Report"), which is compliant with NI 43-101. The Cerro Colorado Technical Report was prepared by prepared by Marc Simpson, P. Geo. and co-authored by Gary Giroux, MASc., P.Eng. of Giroux Consultants Ltd. and Fernando Rodrigues BSc, MBA, MAusIMM, MMSAQP of SRK Consulting (U.S.) Ltd. 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 approximately 35 kilometres southwest of the town of Trincheras. 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 48 concessions in the immediate vicinity of the mine covering a total of approximately 24,100 hectares. Cerro Colorado is owned by Goldgroup through its Mexican operating company Granmin S.A. de C.V. ("Granmin Mexico").

The open pits have been operational since 2003, with full production starting in 2006. At the Cerro Colorado gold mine the Company produced a total of 17,766 ounces of gold during the year ended December 31, 2013 (2012 – 19,182 ounces and 2011 – 20,361 ounces). As of September 30, 2013, the Company stopped full scale mining operations and is continuing to process gold from the leach pad.

Current Status

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 seven mineral concessions covering the area of the mine and seven concessions in the immediate vicinity of the mine totalling 12,753 hectares. Gold is produced in doré in Mexico and then shipped to a refiner in the United States for final refining prior to sale. The project is subject to a NSR royalty of 3%. As of September 30, 2013, the Company stopped full scale mining operations and is continuing to process gold from the leach pad.

For the year ended December 31, 2012, an impairment charge totaling $1,576,221 was recorded against the Cerro Colorado mine. The impairment was charged against the carrying value of the mine for $1,576,221. There is currently no compliant economic analysis for the Cerro Colorado mine and no mineral reserves have been estimated.

Status of Operations and Outlook

As of September 30, 2013, the Company stopped full scale mining operations and is continuing to process gold from the leach pad. At the Cerro Colorado gold mine, the Company produced 17,766 ounces of gold during the year ended December 31, 2013 (2012 - 19,182 ounces and 2011 – 30,361 ounces).

The following description of the Cerro Colorado Mine has been summarized, in part, from the Cerro Colorado Technical Report and readers should consult the Cerro Colorado Technical 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 Cerro Colorado Property ("Property") is located in northwestern Mexico in the State of Sonora, approximately 35 kilometres southwest of the town of Trincheras, the largest town in the area, with a population of approximately 5,000 people. The town of La Cienega is roughly 10 kilometres southwest of the property.

The Cerro Colorado property is made up of 44 mineral concessions. Total land area held by Goldgroup is 14,706.83 hectares. Concessions are located using the position of a single claim monument, with the corners of the concession being determined based on surveyed distances from this monument. The survey is completed by a registered Mexican Mineral Concession Surveyor. The mine property is within 6 concessions located contiguously.

One concession (Palo Verde 1) is held by a non Granmin owner (Minera Frisco). Minera Frisco holds the mineral rights to this concession via a subsidiary, Minera Cumobabi S.A. de C.V which in turn holds the property via a subsidiary, Minera Maria S.A. de C.V. Granmin was granted the surface rights to the area of the Palo Verde 1 concession as part of its Surface Contract (Contrato de la Superficie). Cerro Colorado is wholly owned by Goldgroup via 100% ownership of Granmin Malaysia Ltd. which in turn owns 99%+1% of Granmin S.A. de C.V. (Granmin Mexico). Granmin Mexico is the Mexican operating company for Goldgroup.

The Cerro Colorado mine was granted its environmental permit (Manifiesto de Impacto Ambiental) in 2001 and the change of soil use permit (Cambio de Uso de Suelos) in 2002. The mine has been operating under these permits since that time.

Cerro Colorado Concessions

							Mexican Pesos
Concession		Owner	Title Number	Area (ha)	Issue Date	Expiry Date	Taxes Paid 2012
1	AMPLY.JUDY	GRANMIN	233463	5,135.00	02/25/2009	02/24/2059	43,735.00
2	AUSTRALIA	HECTOR GRAHAM*	232115	454.1997	06/20/2008	06/19/2058	8,003.00
3	CERRO COLORADO	GRANMIN	186367	20.8179	03/29/1990	03/28/2040	2,597.00
4	EL CAJON FRACC.I	GRANMIN	236889	60.167	09/24/2010	09/23/2060	513
5	EL CAJON FRACC.II	GRANMIN	236890	102.6476	09/24/2010	09/23/2060	875
6	EL CAJON FRACC.III	GRANMIN	236891	482.1547	09/24/2010	09/23/2060	4,108.00
7	EL CAJON FRACC.IV	GRANMIN	236892	86.5917	09/24/2010	09/23/2060	738
8	EL FILON	HECTOR GRAHAM*	213844	8.0731	03/07/2001	02/07/2051	1,008.00
9	EL FILON	HECTOR GRAHAM*	213915	0.2558	07/13/2001	12/07/2051	32
10	EL FILON FRACC. 1	HECTOR GRAHAM*	213916	0.6771	07/13/2001	12/07/2051	85
11	EL ORERO	HECTOR GRAHAM*	223071	87.2571	08/10/2004	07/10/2054	3,094.00
12	EL SOCORRO	HECTOR GRAHAM*	207572	9	06/30/1998	06/29/2048	1,125.00
13	La ESCONDIDA	HECTOR GRAHAM*	218515	9	05/11/2002	04/11/2052	638
14	ESCONDIDA 2	HECTOR GRAHAM*	221953	127.4567	04/16/2004	04/15/2054	9,035.00
15	JUDY	GRANMIN	236196	2,202.04	05/19/2010	07/17/2058	38,800.00
21	MAYTO	HECTOR GRAHAM*	223808	14.2562	02/22/2005	02/21/2055	506
22	MAYTO	HECTOR GRAHAM*	223809	72.568	02/22/2005	02/21/2055	2,573.00
23	MAYTO	HECTOR GRAHAM*	223810	2.5116	02/22/2005	02/21/2055	90
24	NORMA	LARA	218449	60.0255	05/11/2002	04/11/2052	4,255.00
29	ORERO	HECTOR GRAHAM*	221952	63.4377	04/16/2004	04/15/2054	4,497.00
30	ORERO 10	HECTOR GRAHAM*	224293	23.5724	04/22/2005	04/21/2055	836

Cerro Colorado Concessions

							Mexican Pesos
Concession		Owner	Title Number	Area (ha)	Issue Date	Expiry Date	Taxes Paid 2012
31	ORERO 11 FRACC. 1	HECTOR GRAHAM*	228955	11.7429	02/22/2007	02/21/2057	207
32	ORERO 11 FRACC. 2	HECTOR GRAHAM*	228956	54.2564	02/22/2007	02/21/2057	956
33	ORERO 12	HECTOR GRAHAM*	227168	100.2807	05/17/2006	05/16/2056	3,555.00
34	ORERO 14	HECTOR GRAHAM*	227327	44.0376	09/06/2006	08/06/2056	1,562.00
35	ORERO 14	HECTOR GRAHAM*	227325	37.5792	09/06/2006	08/06/2056	1,333.00
36	ORERO 15	HECTOR GRAHAM*	227326	40.8263	09/06/2006	08/06/2056	1,448.00
37	ORERO 3	HECTOR GRAHAM*	221856	39.994	02/04/2004	01/04/2054	2,835.00
38	ORERO 3	HECTOR GRAHAM*	221857	40.8701	02/04/2004	01/04/2054	2,897.00
39	ORERO 3	HECTOR GRAHAM*	216769	200	05/28/2002	05/27/2052	24,948.00
40	ORERO 5 Reducción	HECTOR GRAHAM*	220996	99	08/31/200	08/30/2050	12,350.00
41	ORERO 6 Reducción	HECTOR GRAHAM*	224789	85.2144	05/11/2002	04/11/2052	6,040.00
42	ORERO 7	HECTOR GRAHAM*	218367	28.4578	05/11/2002	04/11/2052	2,018.00
43	ORERO 7	HECTOR GRAHAM*	217947	170.9904	09/18/2002	09/17/2052	12,120.00
44	ORERO 8	HECTOR GRAHAM*	214529	9	02/10/2001	01/10/2051	1,123.00
45	ORERO 9	HECTOR GRAHAM*	220513	30	08/14/2003	08/13/2053	2,127.00
46	ORERO 9	HECTOR GRAHAM*	220515	88.3183	08/14/2003	08/13/2053	6,260.00
47	ORERO 90	HECTOR GRAHAM*	212866	9	02/13/2001	12/02/2051	1,124.00
48	PALO VERDE III	CERRO DORADO	218965	186.1761	01/28/2003	01/27/2053	13,197.00
49	PALO VERDE IV	CERRO DORADO	218966	6.9838	01/28/2003	01/27/2053	496
50	SAN JORGE	GRANMIN	184829	39.9912	05/12/1989	04/12/2039	4,989.00
51	SAN JORGE 3	HECTOR GRAHAM*	220514	80	08/14/2003	08/13/2053	5,671.00
52	SECOTEC 2	GRANMIN	220953	2,813.55	04/11/2003	03/11/2009	199,425.00
53	SECOTEC 3	GRANMIN	224723	1,468.86	02/06/2005	01/06/2055	52,072.00
				14,706.83			485,896.00

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access

Access to the project is via Federal Highway 2 between Altar and Santa Ana to the kilometre 42 marker, then 22 km south by paved road to Trincheras. The property is located 37 km 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.

Climate

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. 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. Deer, javelinas, jackrabbits and quail are common to the area.

Local Resources and Infrastructure

The State of Sonora is located in the northwest portion of Mexico and is bounded by Arizona and New Mexico, USA in the north, Chihuahua, Mexico in the east, Sinaloa, Mexico in the south and, the Sea of Cortez and Baja California Norte in the west. The state covers approximately 185,500 km2 and contains a population of nearly 2,000,000.

Infrastructure in Sonora is extensive. The state has approximately 10,000 km of paved roads in a system of 25,000 km. Additions to the paved portions of the system are in progress. Rail lines totalling 1,800 km link the major cities in the state. Numerous ports are found along the coast. International airlines serve Hermosillo, the state capital, several times daily. Infrastructure for the movement of either plant equipment or raw products to or from the mine is excellent. Sonora has an electrical generating capacity of 1,500 MV and a reasonably well developed power distribution system.

Telecommunications in the state are linked to the country's federal microwave network which runs throughout the Pacific Coast, connecting all main cities and towns. Water for farming and city use is primarily provided by reservoirs with groundwater being used in the country side.

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 (Figure 4). 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. Although there is power supply in the surrounding area, tapping into the system would require a large capital injection in excess of $500,000. Due to mine life and known reserves at start up, on-site generation was deemed to be the best use of capital. Prior to 2010 there were 3 generators on-site for power supply. Currently a 1250 kW generator is used for camp and plant power supply, backed up by a 350 kW generator.

Goldgroup (via predecessor Sierra) 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. Mr. Arturo Bayardo is the step-son of Keith Piggott, who is a director of Goldgroup. 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 Goldgroup 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 km 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. Ten (10) wells of 15 m depth are in place around the physical plant. These wells are checked monthly. Only rarely is there any water in them for sampling. When water is found in the wells a sample is collected and analyzed by an off-site laboratory for pH, suspended solids (conductivity), and gold and silver contents. Results to date have not shown any contamination.

Physiography

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 170m in relief.

History

Exploration History

The principal period of mining activity at Cerro Colorado occurred during the late 1800's to early 1900's. Both hard rock and dry placer operations were conducted during this period. Limited underground work is believed to have taken place during the 1920's and 1930's.

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 (MRDS MX00297) at Cerro Colorado. This production from underground mining and placer workings is estimated to have recovered approximately 50,000 ounces of gold.

i. Contratista Tormex:

The property was explored by Contratista Tormex ("Tormex") during the early 1970's. They calculated that there were 1,000,000 tonnes of reserves at a grade of 2.6 g/t Au 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 g/t Au. These resources and reserves are historic, are not current, have not been verified by CCIC and should not be relied upon. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves. The Company is not treating the historical estimate as current mineral resources or mineral reserves.

ii. Papanton Minas S.A. de C.V. – BP Minerals:

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.

iii. Compañía Fresnillo S.A.

In 1989-1990 Compañía Fresnillo, S.A. ("Fresnillo") explored the Cerro Colorado Property. Fresnillo explored the entire district and developed a target of 8.1 million tonnes at 2.0 g/t Au. 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.

iv. Laramide Resources Ltd.

Laramide Resources Ltd. optioned the Cerro Colorado 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.

After the first phase of confirmation drilling, exploration focused on proving mineable resources by drilling the obvious mineralized zones, in addition to whatever extension(s) derived from them. As the zones were drilled on approximately 20 m separations they quickly consumed the full exploration budget. No effort was made to explore targets outside the core area. In this first drill program (February 1995), 23 holes totalling 2,356 m were drilled mainly from existing roads near Harris and Obra X (CC-1 to CC-23). The second drill program, completed in August and September 1996, included 64 holes totalling 6,276 m (CC-24 to CC-87). These drill programs completed the drilling of the Obra X zone and first tested the mineralization at Breccia Central and Abejas.

In the third exploration program, 75 holes totalling 8,289 m (CC-88 to CC-162) were drilled to prove Breccia Central and add Abejas and Sorpresa to the Harris resource. This drilling was completed between February and June 1997. At the end of this third phase of exploration drilling, a total of 14,565m had been drilled in 162 holes to define mineable zones at Obra X and Breccia Central. Laramide believed that additional drilling was required at Sorpresa, Harris and Abejas to bring these zones into mineable resource categories.

Laramide estimated an overall resource of 4.2 million tonnes at a gold grade of 1.33 g/t Au (Wendt, 1995). This resource estimate is historic, not current, has not been verified by CCIC and should not be relied upon. . A qualified person has not done sufficient work to classify the historical estimate as current mineral resources. The Company is not treating the historical estimate as current mineral resources. Bottle roll testing of 53 composite samples from 10 representative drill holes showed gold recovery ranging from 54.7% to 90.6% with an average of 77.6% (Balderama, 1997).

iv. Minera Secotec S.A. de C.V.

In April 2000 Secotec began a preliminary feasibility study to determine the economic viability of the Cerro Colorado project. This work consisted of rock chip sampling of the old workings, exposed breccia outcrops, infill drilling on 25m x 20m centres on the Sorpresa mineralized zone, 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 mineralized zone consisted of 26 vertical percussion drill holes on section lines spaced 25m apart. Holes were spaced 20m apart on the section lines. 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. Holes drilled directly into the limestone from surface invariably showed little or no gold. Mineralized intercepts encountered in the drilling include drill hole CCS11 (5-27m) 22m @ 3.78 g/t Au, and CCS14 (32-46m) 14m @ 4.84 g/t Au.

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 @ 1.54 g/t Au. This resource estimate is historic, not current, has not been verified by CCIC and should not be relied upon. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources.

The Company is not treating the historical estimate as current mineral resources. The Sorpresa area has been drilled on 9 sections, spaced 25m apart with drill holes spaced at 20m centres along section lines. The mineralized area occurs above the rhyolite/basement contact along its southern boundary and has been traced virtually into contact with the Harris mineralization. Although the most easterly section drilled contained only weak mineralization, the best intercept of which was 12m @ 0.76 g/t Au, in drill hole CCS26 from 49-61m, the zone continues and can be traced in outcrop into contact with the Breccia Central mineralization.

A total of 13 column leach tests were undertaken using percussion drill chips from the Laramide drilling and dump material left at surface from the old mine workings. The tests ranged in size from 4 kg in 100 mm diameter columns, up to 200 kg in 2m x 300mm diameter columns. Gold recoveries ranged from 81% to 99% based on the leach recovery and final tails assay. Leach times were generally less than 120 days except in three cases (Tests 5, 6 and 7), where the sample material was crushed to minus 6mm and extremely slow percolation resulted. Test 10 was also slow at 203 days on lower grade coarse dump material. Based on the above drilling and column leach test results, a decision was made in May 2001 to start a heap leach mining operation. Operations would initially focus on the Sorpresa mineralized zone, and expand into the Harris/Abejas areas and subsequently the Breccia Central and Obra X mineralized zones. Mine construction began in mid 2001 and was completed by February 2003. During the first phase of mining a trial heap of 90,000 tonnes of mineralized material with an average grade of 1.24 g/t Au was placed on the leach pad at a crush size of minus 90mm with the addition of 1.5 kg of lime per tonne of rock. Leaching commenced in March 2003 using a cyanide concentration in solution of 150 ppm at a pH of 10.5. Gold recovery from this initial trial heap was 67%.

Mining recommenced in December 2003 using a secondary cone crusher to reduce the crush size to minus 45mm but due to insufficient capital the secondary crushing circuit could not be maintained in operation. At the same time cyanide strength was increased and additional side-slope heap sprinkling was commenced. Recoveries appeared to be quicker from the finer crushed material. Since this time, a further 400,000 tonnes have been placed on the pad at a similar grade.

Secotec also completed a soil sampling program. Soil samples were collected over a grid covering the south and west flanks of Cerro Colorado and the low ground between Cerro Colorado, Plomosa and Hematita Hills. The samples were taken at 20m intervals on lines spaced 100 metres apart and run at right angles to a picketed baseline running N76°E - S76°W from an origin at drill hole CC-10. A second baseline along line 1W was used to cover the low ground between Cerro Colorado, Plomosa and Hematita hills. An additional 3-line grid was sampled over the northeast end of Cerro Colorado where breccia outcrops had been located. Samples were collected from 10 to 20 cm below the surface and sieved in the field.

Bondar Clegg in Vancouver, Canada analyzed the minus 80 mesh fraction for gold plus an additional 34 elements including Ag, Cu, Pb, Zn, Mo, As, Sb and Mn. Gold was the only element used in target definition. Values were reported as very high through the low ground between the three hills, and spreading downhill from Harris, Abejas and Obra X (detailed assays not provided in the 2005 report). An east-west anomaly south of Abejas needs to be checked in the field. The crests of the main anomalies are labelled for reference as follows: Anomalies "A", "B" and "C" appear to run east north-easterly through the low ground north of Sorpresa Zone with "C" located close to the wash running westward off Cerro Colorado.

This area, particularly the east ends of the three anomalies, contains placer pits after gold draining off Cerro Colorado but the western parts of the anomalies are equally strong and occur in areas of little disturbance several hundred metres away from that source. Although they occur in an area containing placer gold, their orientation is parallel to the mineralized trends in an area where regional faults underlie alluvial cover giving these anomalies considerable exploration potential. A grid of holes drilled through the placer to test bedrock under the anomalies could locate other mineralization like the Sorpresa Zone in this area. Anomaly "E" covers an area of surface disturbance from work at the Harris Mine, and the road from Harris to the Hematita Mill. Anomaly "G" is derived from the Abejas breccia outcrops and joins through lines 1E and 0E into the Harris Zone and westward along the gneiss contact fault. This contact between Harris and Abejas should be drilled during the next exploration program. The Abejas breccia trend reappears as anomaly "H" to the east of a slope covered by talus derived from the barren rhyolite above. Anomaly "F", which includes 6 samples of over 1,000 ppb Au, lies in a little-disturbed area of the basement rock down-slope from Abejas. A field check with fill-in sampling is needed for this area. Anomaly "I" is derived from the Obra X Zone, with an Inferred tail extending to the east.

Exploration targets were developed from the soil survey and previously reported as (Kappes, Cassiday & Associates, 2005):

1) Anomalies "A", "B", and "C", where colluvial placer deposits may cover bedrock gold in faults near the limestone-rhyolite contact, require testing by grid drilling for placer plus enough bedrock to determine potential.
2) The zone west of anomaly "G" above the gneiss contact requires drilling to test north dipping mineralization between Abejas and Harris.
3) Anomaly "F" is a puzzle, and needs to be field checked.
4) The anomaly at 1+00 N and 1+20 N on line 10E should be checked for nearby bedrock connecting with the Obra X zone.

v. Sierra Minerals

On November 26, 2004, Sierra entered into a letter agreement to procure the sale of the Cerro Colorado Gold Mine and Property with Mexican Mining Investments ("MMI"), which owned 98% of Secotec.

Sierra completed a RC drilling program of eight (8) RC holes drilled outside the area of known resources in 2006. Thirty two metres of 3.42 g/t Au and 6.0 g/t Ag were intersected 30m below the surface in hole GM-4, while hole GM-5 intersected 32m at 1.72 g/t Au approximately 80m below surface.

In a Phase II RC drilling program completed in 2007, Sierra drilled 195 holes totalling 14,000m; 154 holes were resource and exploration holes while 41 holes were drilled to sterilize an area for the planned operations. Significant intercepts included 90m of 1.59 g/t Au and 1.46 g/t Ag (at a depth of 28m below surface) and 44m at 0.90 g/t Au and 9.61 g/t Ag (Annual Information Form for Fiscal Year ending December 31st, 2007).

Most holes have been drilled with a dip of 60°, which is roughly perpendicular to the dip of the known mineralization. Mineralized true widths are therefore approximately 90% of the reported widths.

None of the drilling by Sierra has had directional surveys completed. This should be done as a standard practice and it is recommended that a procedure be established for routine monitoring of down-hole deviation as they can have a significant impact on geological interpretation and construction of a three dimensional ("3D") model.

vi. Goldgroup Mining Inc.

On February 23, 2010, Sierra Minerals Inc. and Goldgroup Resources Inc., a privately held British Columbia company and a current subsidiary of Goldgroup, entered into a definitive agreement with respect to a proposed business combination (the "RTO").

On April 30, 2010, Goldgroup 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, Goldgroup completed the RTO with Pre-RTO Goldgroup pursuant to a statutory plan of arrangement under the Business Corporations Act (British Columbia).

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).

The Transitional zone is found between Highway 15 and the Rio Yaqui and consists of closely spaced ranges that form a topographical high. A wide range of rock types and ages are found here but Tertiary volcanic rocks and indurated gravels are the most prevalent. This zone hosts the Cananea and La Caridad mines which produce the bulk of Mexico's copper. Gold deposits vary from the structurally-hosted Amelia Deposit, clastic sediment hosted shear zones at Quitovac, structural/carbonate-hosted deposits such as at Santa Gertrudis, and to the vein/stockwork hosted La Colorada Deposit.

The High Plateau or Sierra Madre Occidental is found along Sonora's eastern border with Chihuahua and consists of large, nearly layer-cake volcanic flows and tuffs with deeply incised canyons. Tertiary volcanic rocks predominate. This region is host to numerous epithermal precious metal systems such as Mulatos and Ocampo. Rocks of Cenozoic age are predominant throughout the State of Sonora. The western half of the state contains a more diverse suite of rock types spanning various ages.

The Precambrian of Sonora is divided by the Mojave-Sonora mega-shear. Deposits related to this tectonic event are La Cholla, La Herradura and San Francisco. North of this shear, the Precambrian consists of schists overlain by weakly metamorphosed dolomites and sandstones. To the south, the area is covered by coarse-grained granitic rocks and lesser lower-grade metamorphic rocks. Paleozoic rocks are less widespread in Sonora and consist mainly of quartzite, limestone, shale and dolomite.

The Mesozoic time was perhaps the most important from the standpoint of economic geology. During the Triassic and Jurassic periods a relatively thick pile of sediments was deposited. Following the deposition of these sediments large granitic batholiths were emplaced. By the early Cretaceous, tectonic plate movement produced the Mojave-Sonora mega-shear. Chemically reactive carbonate units, especially the Cretaceous Bisbee Group, were deposited during middle Cretaceous time. Late Cretaceous marks the onset of the Laramide tectono-igneous event. This orogenic event resulted in the intrusion of igneous rocks, the development of volcanic piles, the structural preparation of host rocks and provided a structural heat sources for the formation of major metallic deposits.

The Cenozoic saw the continuation of Laramide volcanism and intrusive event and the formation of the major copper porphyries at Cananea and Nacozari. During the mid-Tertiary age large-scale ashflow tuff eruptions created the High Plateau Province. The final igneous event took place in the far western portion of the state and consists of basaltic volcanism. Figure 7 is a geological map of the region around Cerro Colorado.

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 <mid Cretaceous to> 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 north-east across the northwest end of the Harris and Breccia Central mineralized zones.

La Cienega dips to the south-east, intersecting structures underlying the deposits. The La Cienega Fault is thought to have been a major control in the emplacement of the mineralization. The main geological units are shown on Figure 8. Most of the following section has been extracted from an internal company report prepared for Laramide by Fowlers (1997).

The basement complex is comprised mainly of biotite paragneiss, amphibolite, and coarse granitic rocks. Fowler describes the gneiss-rhyolite contact as primarily intrusive, with flow banded rhyolite following joint edges and carrying fragments of gneiss higher in the intrusion. Many partly digested ghosts of gneiss can be recognized in the porphyry, particularly near Obra X. Most likely, the rhyolite intruded up an older fault in the basement. Younger faulting also affects the contact. This can be seen in Frente 1 and probably south and west of Harris, where the slope of the contact rises abruptly to the southeast.

On a regional scale, the mineralization at Plomosa, Harris, Abejas, and east to Obra X all trend east-northeast parallel to and within 100 metres of the gneiss contact. This suggests emplacement of the mineralizing fluids up deep faults near the rhyolite contact.

A set of almost east-west faults can be interpreted from offsets in a north-south line of limestone hills including those at Plomosa and Hematita Hills. These two hills show stepped lateral offsets eastward from the regional trend in the area intruded by the Cerro Colorado rhyolite. This suggests that the rhyolite complex was emplaced along faults and probably into a graben lying between Plomosa and the hill north of Hematita.

The sedimentary sequence consists of interbedded gray limestone, buff dolomite, gray-beige to red sandstones and finer siltstone and marl. In the drilling at Sorpresa coarse sandstone overlies the gneiss contact accompanied by very fine siliceous rock (here called jasperoid) and limestone. Similar looking rocks toward the base of the Harris section were logged as fine grained rhyolite, and confirmed as such by thin section.

The rhyolite at Cerro Colorado comprises a suite of intrusive and extrusive rocks which vary more in texture and alteration than in original composition. Fine grained quartz porphyry rhyolite underlies the east end of the complex centered on the hill above and north of Obra X. Concentric inward-dipping flow textures suggest that this is the main feeder vent of the complex. If the complex is symmetrical, the other half of the complex must lie under the alluvial plane to the east of Obra X, suggesting a continuation of the mineralization under that alluvial cover.

Most of the central portion of Cerro Colorado, generally above the 700m 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 texture 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.

Fowler divides the breccia into two types: “Closed breccia” and “Open breccia”. The Closed breccia carries more angular clasts separated by relatively little matrix in a generally hard siliceous rhyolite. The Open breccia has more rounded clasts of varying material in a sea of much finer matrix material. This breccia is generally altered to a soft greenish white alunitic-argillic rock cut by purple hematitic bands along fractures and fragment boundaries. This alteration is most prevalent in well mineralized areas in the breccia (Breccia Central) or porphyry (Obra X) although some areas showing good grade mineralization can occur outside of the breccia in moderately altered rhyolite.

Experience from the drilling in the mineralized areas is that there is no geological signature for the gold other than gold itself, seen by panning the cuttings or in assays. One distinctive unit, a pale green, siliceous, heavily pyritic dike, occurs in the high grade core through the east half of Breccia Central. This mineralizing dike carries values of 5.0 g/t Au to 15.0 g/t Au and probably marks the feeder to the breccia deposit.

The lower rhyolite is essentially a continuation with depth of the barren cap unit into areas of greater degree of alteration. Fresh rhyolite appears greener than the barren cap and progresses through increasing alteration into green/purple altered rhyolite.

Age dating carried out for Granmin in 2010 (per Telluris report) support the model that the Cerro Colorado rhyolite is older than Tertiary and is likely to have been emplaced in the mid-Cretaceous period (89 Ma +/- per Granmin date results). Pb losses appear to indicate the mineralization event was mid to late-Laramide or between 55-65 Ma.

The Telluris report also indicates that an intrusive source (possible porphyry system) is likely due to the relatively high Cu and Ag values in the mineralization. Structural data, age dating data and the presence of unmineralized rhyolite north and south of the deposit are thought to imply an association with hypogene mineralization related to the Laramide age deformational overprint.

Regional magnetic data indicates that Cerro Colorado is underlain by a magnetic high which is part of a west northwest to northwest trend of magnetic highs. Cerro Colorado lies at the intersection of this west northwest to northwest trend and a northeast trending series of anomalies. These types of intersecting structures may provide interesting targets for future exploration.

Structural Geology

Gold mineralization occurs in host rocks located in zones of higher grade alteration. These zones lie within regions of structural disturbance in which high concentrations of fractures, faults and breccia are present. Faults and fractures generally trend N70°E, North-South, and N30°W. These structural zones represent areas of weakness and reactivation along which faulting, intrusion, fracturing, gas discharge, alteration and mineralization are facilitated.

Ground preparation through extensive cross–fracturing, providing a conduit for fluids, appears to be the necessary precursors to gold mineralization. Most breccia zones seem no more likely to be mineralized than any other type of rhyolite. The largest breccia zones, generally the more “open” ones (like Harris and Breccia Central), seem to be rather weak rocks lying along structurally reactive trends which favour the development of the necessary faults and fractures. Even within these larger breccias, alteration can be seen to penetrate along fractures and faults, often leaving intervening areas of breccia with little sign of mineralization between clasts. Also, what appear to be significant fault zones within breccias will often be reduced to a set of ordinary fractures within a few metres of the contact in the surrounding rhyolite.

The two primary features - the La Cienega Fault and the rhyolite - gneiss contact (healed fault) intersects west of the Harris Mine. The La Cienega Fault strikes northeast and dips approximately 70° southeast, the basement contact strikes east northeast and dips approximately 80° north. These structures intersect in a minus 50° north - easterly plunging juncture forming the keel of the Harris Deposit.

The La Cienega Fault continues north from Harris, through the western end of Breccia Central and continuing under the low ground to the north. As at Harris, the eastern end of Breccia Central plunges 40° to 50° east or east - northeast and ends against an east-west fault along its southern edge. Flat (less than 20°) east - northeast dipping joints form in the barren cap rock, while indicated feeder fractures dip approximately 80° to the east - northeast. These two fracture sets dip in the direction of the plunge of the deposit, with the barren hanging wall fractures approximately 30° flatter and the altered footwall fractures approximately 30°steeper than the plunge. Obra X also occurs along the north edge of the basement contact and plunges gently to the east - northeast.

Wetherup (2007) completed a detailed structural study of the Tertiary rocks to understand the structural environment present during the gold mineralization event. The main types of structures are brittle faults near the surface, which is suggested by “onion” or “tulip” fault structures (faults concentrically bifurcate and open upwards). Wetherup observed four dominant structures in the rhyolite: (1) northwest trending, northeast and southwest dipping faults and joints, (2) northeast to east trending faults and joints which generally dip southward, (3) north trending, steeply to shallowly east dipping faults and joints, and (4) steeply west-southwest dipping quartz-pyrite veins. He concluded that the mineralization occurs along east-northeast striking, south dipping structures where they are intersected by NW trending normal faults. These structures occur throughout the rhyolite dome.

Additional observations by Telluris Consulting (2010) determined that the hypogene (gold bearing pyrite) mineralization hosted in the rhyolite was controlled primarily by at least one, and probably two, north to north-northeast dipping late Laramide-age thrust zones. It was determined that these were zones of reverse faulting with broad damage zones that host the mineralization.

It is surmised that the intersection of the Laramide age thrusts and west-northwest trending gently north dipping faults, fractures and narrow breccia zones control mineralization in at least the portion of the mine that was visited by Telluris personnel.

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 (Wetherup, 2007). 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. Two areas are currently mined (2012) at Cerro Colorado: Breccia Central and Obra X.

Breccia Central

The mineralization at Breccia Central falls within an area 300m long by 120m to 200m wide and is approximately 50m 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 20,440m E and 20,500m E. A pale green-white silicic, pyritic (+galena) feeder dyke appears to intrude from the north and carry high grades close under the barren cap.

Obra X

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

Gold at Obra X occurs in fractured, altered rhyolite quartz porphyry intrusive lying approximately 100m north of the gneiss contact and a few tens of metres below hard rhyolite porphyry. Inclusions of replaced gneiss occur in the mineralized zone near the west end of the trend, but none of the drill holes reached basement.

The principal structures at Obra X are: 1) a system of fractures striking NNW and dipping steeply eastward, and 2) strong brecciated flat shears dipping shallowly to the southeast. These two fracture sets are strongly hematized and argillized, and control the better mineralization. Northwest dipping fractures may also be important.

Obra X mineralization is exposed by a trench running east-northeast for approximately 200m, and by a cross-cut adit running north-westerly to intersect with a drift running roughly parallel to the trench, 15m to the south and 20m below it.

Gold appears to occur in two lenses separated by approximately 10m of waste. They dip shallowly to the south-east parallel to the topography. The upper lens thickens and deepens to form a root zone near section 0 E-NE. Additional drilling from the road extending northeast from the adit portal is needed to follow the zone down dip.

Exploration

Goldgroup holds approximately 14,707 Hectares of mineral exploration concessions in the area surrounding the Cerro Colorado mine site. Breccia zones along the margin of the Cerro Colorado rhyolite dome complex provided the focal point for deposition of mineralization by fluids using these breccias as conduits. Silica flooding as well as clay alteration is also known to host mineralization. Historically these have been the target of mining activity.

Telluris Consulting was retained in 2010 to conduct a field visit with focus on reviewing existing mapping at the site and expand on the existing exploration model with particular focus on the structural geology at Cerro Colorado. Work included geological and structural interpretation of existing data, review of open pit mapping in an overall geological context, and interpretation of the age dating work carried out previously by Goldgroup and predecessor companies. Interpretation of regional magnetic data in relation to regional and local geology was also completed.

An interpreted "ring type structure" has been noted northeast of Breccia Central pit and north of the Obra X pit area. This structure has been recently drilled on its northern margin where deeper, presently uneconomic mineralisation has been discovered. Further drilling is planned in the centre and southern edge of the structure to check for mineralisation at higher levels which may make the intercepts further to the north economic.

As well, a biogeochemical anomaly north of Breccia Central and northwest of Obra X should be followed up to assess the potential for gold mineralization there. However depth to bedrock in areas away from the main Cerro Colorado mine area may be such that any mineralization discovered could be too deep to economically recover. Further work is required to determine this.

Telluris Consulting (2010) also recommends looking at the "flat area of no exposure in the middle of the range to the south of the Precambrian schists where several major structures are interpreted to intersect". However this target area is not clearly defined beyond this in the report. It is recommended that this, along with the other recommendations in the Telluris Consulting report, be followed up to determine if other more regional targets exist in the Cerro Colorado area.

Drilling

During 2013 the Company did not perform any drilling at the Cerro Colorado. In 2012 a total of 291 drill holes totaling 24,762 metres were completed at Cerro Colorado using open hole percussion drilling to expand and better define the existing mineralised zones. The 2012 program outlined additional mineralisation to the south of the Breccia Central zone under the central ridge of the rhyolite dome. Engineering studies are ongoing to determine if this mineralisation can be economically exploited. The 2012 drilling did not significantly add to the known mineralisation in and around the existing open pits.

During late 2010 a total of 23 drill holes totaling 2,634 metres were completed at Cerro Colorado using an open hole percussion drill. All drill holes were resource definition and exploration holes. 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. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources. The Company is not treating the historical estimate as current mineral resources.

Samples from the blast hole and exploration drilling are riffle split and bagged on site. Sample tags are added and the bags are then sealed and transported to the onsite laboratory. Sample pulps generated during the fire assaying process are kept at the laboratory for a period of three months.

Mineral Reserve and Mineral Resource Estimates

No mineral reserve estimates have been completed for the Cerro Colorado Mine. The technical report prepared by Stone (2011) previously included life of mine analysis which was excerpted from a Valuation Report prepared by Evans and Evans Inc. for Sierra Minerals (predecessor company to Goldgroup) which was dated July 6, 2009. That analysis was not a NI 43-101 compliant economic analysis, and thus was removed from the revised version of that report. No preliminary economic assessment (as defined by NI 43-101) or other economic analysis of the mineral resources has been completed for the Cerro Colorado Mine to date.

As such, it is currently difficult to project mine life and continuing and potential future revenue flow from the Cerro Colorado Mine. Production is continuing at the Cerro Colorado Mine without a compliant economic analysis report having been prepared. Ongoing extraction could become uneconomic at any time due to a variety of reasons, causing cessation of production at Cerro Colorado. There were no mineral resource estimates.

Mining Operations

Mining Method

Open pit mining at Cerro Colorado commenced in 2003. The mining bench height is standardized at 5 metres per bench, with some variation on a bench by bench basis. Each bench is drilled on a 4 metre by 5 metre grid pattern using a blast hole drill with ANFO (ammonium nitrate and fuel oil) used for blasting each bench. The resulting material is separated into waste and mineralized material based on assay results from the blast holes.

Waste is hauled to the waste dump. The mineralized material is either hauled directly to the leach pads using 50 tonne trucks or is taken to a primary and secondary crusher for processing prior to being emplaced on the pad. The crushing plant consists of both a primary and a secondary crusher. The primary crusher reduces the mineralized material from greater than 12 inches in size to a nominal 4 inch diameter.

The coarse material is fed into the crusher with a front end loader from the run of mine material stockpiled. The secondary crusher is set up to remove all material that is the correct size for placement on the leach pads.

The coarse mineralized material that exceeds the maximum size for the leach pads is reduced in size from 4 inch to < 1 inch by the secondary crusher. The crushed mineralized material is transported to an ore stockpile on conveyor belts and is then hauled by truck and placed on the leach pads.

Cerro Colorado currently has two leach pads in operation. On the leach pads, the mineralized material is bulldozed and ripped into levels or lifts of approximately 3-5 metres in height. From the barren pond, barren solution is pumped via 8 inch yelomine piping to the heap leach pads. The barren pond has an approximate capacity of 10 million litres.

The barren solution is pumped to the heap leach pad and distributed via sprinklers using 4 inch HDPE pipes. The piping is arranged such on the top of each lift that each sprinkler covers an area of approximately 36 square metres. The cyanide solution distribution rate is approximately 10 litres an hour per square metre.

The barren solution contains approximately 300 ppm of cyanide. The solution slowly passes through the mineralized material to the HDPE liner and is collected at specific collection points. Lime is added by way of a silo with auger feed to the crushed ore coming off the belt as required to control the pH for each load of mineralized material placed on the pad. The solution pH generally ranges from 10.5 to 11.2.

The crushed ore material has lime added after it has been processed through the primary/secondary crusher via a lime silo with auger feed to the crusher stacker belt. The leach solution is collected from the bottom of the heap leach pad and pumped to the pregnant solution pond which has an approximate storage capacity of 7.5 million litres. The processing plant runs approximately 10,000 tonnes of pregnant solution per day. The new heap leach pad has a total capacity of 10 million tonnes of material with 3.3 million tonnes of capacity remaining. The expected mine life of Cerro Colorado is approximately 15 months based on current mining rates and heap leach production.

Recovery Methods

The carbon flow circuits used to adsorb gold are gravity flow adsorption circuits commonly used in the gold mining industry. Gold is recovered using 30 carbon columns in 10 circuits of 3 columns each. The carbon is stripped using an NaOH atmospheric strip circuit. Each column contains approximately 0.5 tonnes of carbon. Typically the carbon in the system is approximately 15 tonnes. Gravity is used to process the pregnant solution through the columns. Ten thousand tonnes of solution can be processed per day.

The desorption circuit where the gold is removed from the carbon is made up of 3 columns. The carbon is stripped via an atmospheric strip using a boiler to raise the temperature to just below the boiling for the elevation at Cerro Colorado (207°F). The propane boiler on site has a capacity of 970,000 BTU. The eluate used in the strip contains 1-1.5 % NaOH and 0.1 % NaCN. In total, 5 tonnes of carbon can be stripped every 60 hours. After desorption (stripping), the carbon is returned to the bottom of the circuit in the adsorption trains. Carbon is used for approximately 5-6 strips and then replaced with new carbon.

The eluate then passes through two, 75 cubic foot-size, electro-winning cells and gold is recovered onto a cathode as precipitate. The cathodes consist of a stainless steel mesh. Finally, the precipitate removed from the cathodes is dried and accumulated for smelting in a propane furnace. A smelt is completed approximately every 7 to 10 days. The temperature of the smelting furnace is 2,000°F. The liquid is poured into standard 1,000 ounce bar moulds. The resulting doré metal is weighed and shipped to the United States to a third party refiner.

Production Forecast

The approximate capacity of the plant is 25,000 ounces of gold per year depending on the ore grades coming from the mine. The expanded plant has 10 carbon circuits, 6 circuits of 3 columns and 4 circuits of 3 columns for the new pad (30 columns). The desorption circuit is also expanded to 10 columns. A second propane boiler (1,250,000 BTU) was installed in the third quarter of 2009. The two boilers are capable of stripping 5 tonnes of carbon per 60 hours with the electro-winning cells being replaced by 75 cubic foot-sized cell boxes.

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.

Market Studies and Contracts

Cerro Colorado has several contracts for bulk commodities i.e. explosives, cyanide, lime, diesel fuel, tires, along with several stock items kept on consignment at the mine. These contracts usually run for 1-2 years before being re-negotiated.

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 are contracted with Metalor USA Refining Corporation, Massachusetts, USA for precious metal refining. Granmin Mexico and Goldgroup have a Master Purchase Contract for the sale of precious metals with Auramet Trading, LLC, based in New Jersey, USA. Goldgroup has no hedging contracts in place for gold or silver.

Environmental Studies, Permitting and Social or Community Impact

The Cerro Colorado Mine operates under an environmental permit termed a "resolutivo ambiental" or "environmental resolution" which outlines all the terms under which the mine is required to operate. Ensuring compliance with the permit is supervised by the mines Environmental Manager. No other permits, reclamation bonds or other requirements have been required by the government. There are currently no agreements or ongoing negotiations with local communities in the area.

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.

Several environmental studies have been completed since 2005, including:

- a soil study which provided justification to remove topsoil from the vicinity of the mine to mitigate the mine's impact on flora and fauna (May 2009).
- a report estimating and outlining a plan to mitigate the environmental damage cause by the mine and operations (April 2008).
- an environmental audit conducted by the Sonora delegation of the federal environmental protection agency (January 2006).

Water well testing is carried out by an independent outside laboratory on a regular basis for the mine along with the surrounding ranches to assure the water is safe for consumption and no harmful contaminates are present.

The leach pads have test wells 18 metres in depth surrounding the perimeter that are tested regularly to assure that no cyanide contamination has occurred from a breach in the pad liner.

Goldgroup (previously Sierra) is to pay a fee of $6,870.44 Mexican pesos per hectare for reclamation at the end of each five year expansion period. The total reclamation cost is calculated to be $2,267,245 pesos for 330 hectares.

A new reclamation study was done in 2012 that determined the reclamation cost for end of life of mine to be approximately US$1 Million.

Taxation

On December 11, 2013 it was published in the Mexico Federal Official Gazette a decree amending, supplementing or repealing several tax provisions thereof that take effect on January 1, 2014. This reform, among other things, repealing the Income Tax and IETU tax laws in effect at December 31, 2013 and establishes a new Income Tax Law effective as of January 1, 2014.

The main amendments to the Tax Reform 2014 with effects for the Company consisted of the following:

a) The new law establishes the income tax rate for 2014 and subsequent years of 30%; the previous tax law stated that the income tax rate would be 29% for 2014 and 28% from 2015.
b) The new law provides that paid dividends will be subject to an additional tax of 10%, which shall be withheld by the entities that pay the dividends. This applies to the profits generated from 2014 and thereafter.
c) The new law limits the deductible amount of some employee benefits expenses, that is the expenses for wages that are an exempt income for the employee will be deductible only in 47% and in some cases up to 53%.
d) The new tax law amends the basis for calculating accrued PTU, effective for 2014 it will be the net taxable income for income tax purposes with some adjustments considered in the new Income Tax Law.

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 was about one year.

Mine Life

As of September 30, 2013, the Company stopped full scale mining operations and is continuing to process gold from the leach pad.

Exploration drilling at Cerro Colorado in 2011 was 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 determined that the mineralization cannot be mined economically.

Status of Operations and Outlook

At the Cerro Colorado gold mine, the Company produced 17,766 ounces of gold during the year ended December 31, 2013 (2012 – 19,182 ounces and 2011 – 20,361 ounces).

As of September 30, 2013, the Company stopped full scale mining operations and is continuing to process gold from the leach pad.

- In 2013, the Company focused its efforts at the mining operations by producing as much gold as possible while incurring the least amount of expenses

In 2012, the Company focused its efforts at the mining operations by:

- Improving the secondary crushing system by replacing a cone crusher structure, allowing the crush size to be reduced to minus one inch which is expected to improve recoveries and the reliability of the secondary crusher. The new crushing system was installed in October 2012.
- Exploration drilling outside the current pit limits.
- Optimizing the mine by improving haul roads, dumps and pit benches for quick haul times with short hauls where possible.
- Continuing to conduct metallurgical tests of the various ores coming from the mine to improve recoveries on the leach pad.
- Continue to look for nearby mining opportunities for near term production to utilise the fixed cost, personnel and facilities at the Cerro Colorado mine.

In 2011, the Company focused its efforts at the mining operations by:

- Conducting exploration drilling outside the current pit limits.
- Completing construction of a new leach pad.
- Purchasing two 773C haul trucks, a 992 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.

1.6.4 CERRO PRIETO PROJECT

On August 8, 2013 the Company released an updated National Instrument 43-101 Measured and Indicated and Inferred mineral resource estimate (the "NI 43-101") for the Cerro Prieto Project. Giroux Consultants Ltd. and Duncan Bain Consulting Ltd. prepared and authorized the release of this NI 43-101 resource estimate entitled "Report on the 2011-2012 Exploration Program including an Updated Resource Estimation on the Cerro Prieto Project - Magdelena de Kino Area, Sonora State Mexico dated June 10, 2013" (the "Cerro Prieto Project Technical Report).

Unless otherwise stated, information of a technical or scientific nature related to the Cerro Prieto Project contained in this annual information form is summarized or extracted from the Cerro Prieto Project Technical Report. For a complete description of assumptions, qualifications and procedures associated with the information in the Cerro Prieto Project Technical Report, reference should be made to the full text of the Cerro Prieto Project Technical Report, which is available under Goldgroup's profile on SEDAR at www.sedar.com.

Current Status

The Cerro Prieto Property, located in the Cucurpe Mining District, Sonora, Mexico, is comprised of the San Felix (205 ha), San Francisco (10 ha), Elba (5.82 ha), Huerta de Oro (20 ha), Reyna de Plata (9.79 ha), Cerro Prieto "North" (2,508 ha) and Argonauta 6 (4,120 ha) mineral concessions. The title all of these concessions are held by Minas de Oroco. The Cerro Prieto Property is 52 road kilometers from the regional centre of Magdalena de Kino (population 40,000) and 150 kilometers northeast of the City of Hermosillo.

In addition to the production royalty to Oroco discussed below, the Cerro Prieto Project is subject to a 2% NSR royalty payable upon production. On January 28, 2013 Goldgroup entered into a binding agreement with Oroco whereby Goldgroup would acquire a 100% interest in Oroco's Cerro Prieto Project (the "Cerro Prieto Project") in Sonora State, Mexico, subject to receipt of regulatory and Oroco shareholder approvals. On August 30, 2013 the Company completed the acquisition of the Cerro Prieto project for total consideration of $8,274,654, which is comprised of:

- $4,500,000 cash
- a promissory note in the principal amount of $1,500,000 (the "First Loan"), with the principal amount of the First Loan bearing simple interest at a rate of 8% per annum and payable in six equal monthly instalments of $250,000 each, commencing on the later of January 31, 2015 and the first day of the month following the date the Project achieves commercial production. Interest will accrue on the principal amount of the First Loan from the date of closing of the Transaction and will be payable quarterly in arrears, on a declining balance, however, the Company's obligation to deliver such quarterly interest payments will be suspended until the Project achieves commercial production.
- 5,500,000 common shares of the Company issued to Oroco at the date of closing;
- A promissory note to Oroco in the principal amount of $4,125,000 million (the "Second Loan"), with the principal amount of the Second Loan bearing no interest and payable on the second anniversary of the closing of the Transaction. The Company may elect at its sole discretion to pay the principal amount of the Second Loan in cash or by issuing to Oroco 16,500,000 common shares;
- A production royalty calculated as 20% of the difference between the market price of gold and $1,250 per ounce up to a maximum of US$90 per ounce of gold produced from the Project, for the greater of (i) the first 90,000 ounces of gold produced from the Cerro Prieto Project and (ii) all ounces of gold produced from the Project until the completion of five full years of commercial production.
- As part of the original January 28, 2013 agreement with Oroco, the Company agreed to complete a private placement for units of Oroco for CDN$1,000,000 ($977,390 USD). On February 5, 2013 Goldgroup closed the purchase of 5,000,000 units in Oroco. Each unit was purchased at CDN$0.20 and is comprised of one common share and one nontransferable share purchase warrant, with each warrant exercisable for two years at a price of CDN$0.25.

Status of Operations and Outlook

Since entering into the binding agreement with Oroco in January 2013, Goldgroup has worked on various aspects of the Cerro Prieto Project including:

- Completion of the Flora rescue program
- Creation of a Fertile Soil stockpile for mine closure
- Creation of a new access road for heavy truck traffic
- Construction of a lab and metallurgical column test work program to better define leach recoveries
- A 1,000m RC Drill Program to better define portions of the orebody
- Underground channel sampling of the old workings
- Construction of a trial leach pad and ponds
- Construction of a Carbon Adsorption plant
- Preparation of areas for workshop and offices
- Construction of Explosive Magazines
- Movement and installation of Primary and Secondary crushers from Cerro Colorado
- Construction of HPGR tertiary crusher
- Engineering works on a LOM plan and schedule

The Company wishes to make clear that it is not basing its production decision on a preliminary economic assessment demonstrating the potential viability of mineral resources or a feasibility study of mineral reserves demonstrating economic and technical viability, and as a result there is increased uncertainty and multiple technical and economic risks of failure which are associated with this production decision. These risks, among others, include areas that are analyzed in more detail in a PEA or Feasibility Study, such as applying economic analysis to resources, more detailed metallurgy, a number of various specialized studies.

At the Cerro Prieto Project gold mine, the Company produced 287 ounces of gold during the year ended December 31, 2013 (2012 - nil ounces and 2011 – nil ounces).

For a complete description of assumptions, qualifications and procedures associated with the information in the Cerro Prieto Project Technical Report, reference should be made to the full text of the Cerro Prieto Project Technical Report, which is available under Goldgroup's profile on SEDAR at www.sedar.com.

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

Property Description and Location

The Cerro Prieto Project is located 150 kilometres northeast of the city of Hermosillo, and 35 kilometres by air (approximately 52 kilometres by road) southeast of the town of Magdalena de Kino, both of which are in the north central part of the state of Sonora, northwestern Mexico. The Project is centered at Latitude 30° 25' North, Longitude 110° 40' West (Figures 1 and 2).

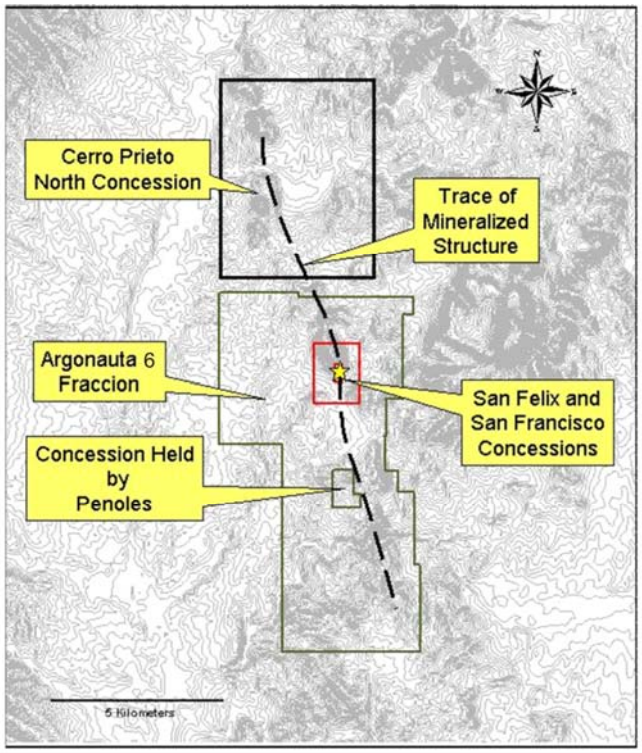
The original Project consists of three Mining Concessions covering a total area of approximately 4335 hectares. These are the Cerro Prieto, the San Francisco and the San Felix concessions. During 2009 the Company optioned a 4120 ha portion of a claim (Argonauta 6 Fraccion) from Yamana Gold Inc. Argonauta 6 Fraccion surrounds the San Francisco and San Felix claims and hosts extensions to the mineralized structure on Oroco's claims a distance of 1.75 kilometres to the north and 7.5 kilometres to the south. In January 2012 Oroco acquired three additional mineral concessions. These are Elba, Huerto de Oro and Reyna de Plata concessions. The 5.82 ha Elba concession lies directly south of the southern boundary of the original property and hosts approximately 250 meters of strike length of the main mineralized structure. The 20 ha Huerto de Oro and 9.79 ha Reyna de Plata mineral concessions are located approximately four kilometers east of Cerro Prieto.

As of April 28, 2005 the historical distinction between exploration and exploitation concessions was replaced by the establishment of mining concessions, which confers upon its holders the rights to exploration, exploitation and extraction of substances. The concession has a duration of 50 years from the date of request with the potential to renew for a further 50 years. Rental fees must be paid twice a year (end of January and end of July). Annual rental fees total $41,360 Mexican Pesos for San Felix, $2,016 Mexican Pesos for San Francisco, $505,613 Mexican Pesos for Cerro Prieto and $830,592 Mexican Pesos for Argonauta 6 Fraccion. The Elba requires an annual payment of $1173 Mexican Pesos, the Huerto de Oro requires $403 and the Reyna de Plate $1,974.

The company entered into an agreement to purchase all of the issued and outstanding shares of Minera Polimetalicos Mexicanos S.A. ("Polimetalicos"), a Panamanian company which holds 98% (49 out of 50) of the issued and outstanding shares of Minas de Oroco Resources S.A. de C.V., a Mexican company which has acquired 100% interest in the Cerro Prieto mining property. Pursuant to this agreement, as amended on September 24, 2007, the Company had the right to purchase the issued and outstanding shares of Polimetalicos in consideration for US$ 2,500,000, which has been paid in full. The agreement also includes a 2% NSR (Net Smelter Return) royalty. The Company also entered into an agreement with Yamana to acquire a 4120 ha portion of the Argonauta 6 concession that surrounds the original San Francisco and San Felix concessions. The agreement with Yamana stipulates that the Company will conduct 1500 metres of drilling on the concession and will give Yamana 1,000,000 shares of the Company by January 1, 2011. At the date of this report the drilling requirement has been completed and 500,000 shares have been given to Yamana. In 2007 the Cerro Prieto concession was added to the project. It covers the area north of the main area of mineralization and contains an extension of the structure. Table 1 presents the details of the Cerro Prieto concessions.

Concession Name	Certificate Number	Area (Hectares)	Staking Date	Expiration Date	Owner of Record
San Felix	176213	205.1784	August 26, 1985	August 25, 2035	Minas de Oroco
San Francisco	182330	10.00	February 1, 1989	June 12, 2038	Minas de Oroco
Argonauta 6 Fraccion	236194	4120	May 19, 2010	March 15, 2057	Minas de Oroco
Cerro Prieto	229932	2508.0	July 3, 2007	July 2, 2057	Minas de Oroco
Elba	177302	5.82	March 18, 1986	March 17, 2036	Minas de Oroco
Huerto de Oro	172314	20	Nov. 23, 1983	Nov. 22, 2033	Minas de Oroco
Reyna de Plata	177266	9.79	March 17, 1986	March 16, 2036	Minas de Oroco

To the knowledge of Dr. Bain of Duncan Bain Consulting Ltd., Co-Author of the Cerro Prieto Project Technical Report, there are no further obligations, liens or encumbrances on the property. Dr. Bain is also unaware of any environmental liabilities to which the property is subject. As the proposed work has not been initiated the author is unaware of whether all necessary permits have been obtained. The work is a continuation of drilling and therefore Dr. Bain does not anticipate any issues with obtaining those permits. To the author's knowledge there are no other significant factors and risks that may affect access, title, or the right or ability to perform work on the property.



Concession Locations

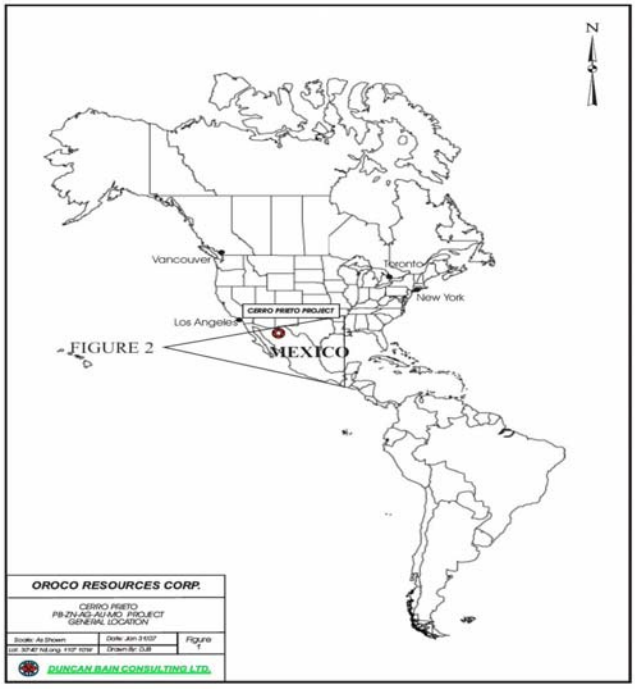


Figure 1

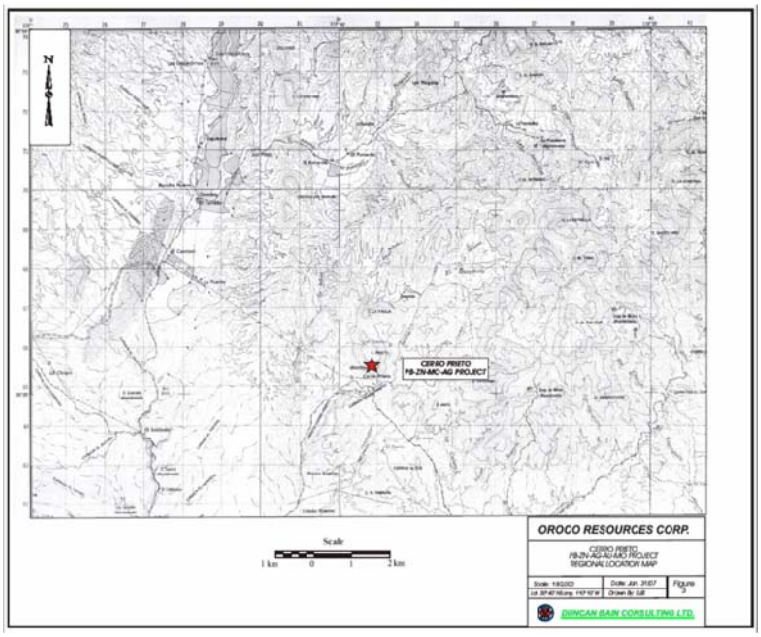


Figure 2

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Accessibility

Access to the Cerro Prieto Project is primarily by paved roads southeast from Magdalena de Kino for 40 kilometres to the general area and from there via secondary roads and tracks which follow arroyos (dry riverbeds) for an additional 12 kilometres north to the mineralized zone.

Climate

The area is typically arid to semi-arid, with day time temperatures ranging from extremes of 50°C in the summer to 20°C in the winter, although nights can reach as low as –5°C. Rainfall is in the form of thunderstorms during the late summer months, with some short periods of a more gentle cold rain in the winter. Thunderstorms may produce flash floods in the arroyos and creeks, and may cause washouts of the local roads and trails. The Company, in conjunction with the ranch owner, has a program of regular maintenance of the roads.

Local Resources and Infrastructure

Electrical power is present in Magdalena de Kino, and in fact a power line runs down the paved road and along the off-road access to within five kilometres of the Project. It continues through the village of Cucurpe, which lies approximately five kilometres southeast of the access road from the highway. The town of Magdalena de Kino and the surrounding region has a population of approximately 40,000 people. There is a large labour force and several people were in fact trained for the exploration programs.

Land surveyors are available in Hermosillo, and mining personnel and equipment, as well as exploration equipment and supplies, can be found in the Hermosillo-Magdalena de Kino region. The village of Cucurpe lies approximately 10 kilometres by air (17.5 km by road) to the southeast and could supply a small labor force.

As the project is still in an exploration stage there is no need for increased power or water beyond that already in place for exploration. At this stage in the work there is no need for mining personnel, tailings disposal areas, heap leach pad areas or a site for a processing plant.

Physiography

Topography in the area is rugged, and consists of a series of block faulted, low-angle dipping sedimentary layers capped by relatively impermeable volcanic flows and pyroclastics. This produces a series of sharp ridges that rise abruptly to a height of 200 to 300 metres above local canyon floors and arroyos. The maximum local elevation is approximately 1200 metres above sea level (asl). From the arroyo at the south end of the San Francisco concession (Arroyo Las Rastras) the topography slopes steeply upwards to the north. This has allowed a series of open cuts to be constructed during the period of active mining in the early 1900s production. Although a well exists for use by the ranch (Rancho Cerro Prieto) which lies within the San Felix concession, the Phase 1, 2 and 3 drill programs relied on water trucked to the site from the Rio Saracachi. During Dr. Bain's site visit in 2013 a well was being drilled by a contractor for Goldgroup to be used for future needs.

History

Exploration History

Pre Oroco

In 1969 L.J. Manning reviewed the Cerro Prieto Project (also referred to in some reports as San Francisco, or Sierra Prieta) files held by the Cananea, Mexico office of Anaconda Copper Co. Although at that time no direct copies of these files were allowed, sketches and notes were taken. Manning's review of the Anaconda files (Manning 1969) reports that the early history of the property is unknown, but the first records indicate that Cerro Prieto operated as a gold mine as early as 1906.

Whenever gold prices dropped below a certain value or the operator encountered a change in mineralization from gold to lead or other non-gold minerals, mining of those headings would be abandoned. Those records also indicate that the silver content of the ore taken out was only secondary to the gold present and was removed. Manning's research revealed that at the time the mine was operating (1907) the mill was supposed to be processing 720 tons per day (other sources report 500 tons per day), with a recovery of 85% of the gold and 25-30% of the silver. The head grade (ore before processing) was reported to be 0.10 oz/t (approximately 3 g/t). Manning also reported that at that time (1907) a vertical shaft was collared 1,180 feet (360 m) inside the 800 Level adit. The remains of that shaft can still be seen today. The mine was abandoned in 1912 at the time of the Mexican Revolution, and has never been re-opened as an operating mine.

From the closing of the old mine to the present day only a small amount of work has been done. During the First World War (1914-1918) extraction and re-processing of tailings from the original operation was carried out. This work attempted to make a vanadium concentrate for sale, but no commercial vanadium product was ever reported.

Examination of the mine workings by Manning (1969), Pye (1972) and Smith (1987) reported on the development work during the operating life of the mine. Open cuts were made in the sidehill of the surface exposure of the mineralized Cerro Prieto vein. A large open cut is found at the crest of the local topography, and this appears to be the site of much of the gold mining. An adit appears to have been made along the vein at regular 100 foot (30 metre) elevation intervals. The most prominent of these is the drift driven on the 800 Level for a distance of a minimum 730 metres (2400 feet) north from the 800 Level adit portal.

Several raises were driven from the 800 Level to connect with open cuts exposed at the surface and appear to have followed mineralized veins. The vein has also been worked downward into the floor of the 800 Level (sub-levels and benches) at several points. During Dr. Bain's site visit in August 2006 most of the 800 Level was inaccessible due to caving. Cleanup in December 2006 allowed access to the 800 Level from the adit to beyond the shaft. During Dr. Bain's sampling program in December-January he found that several sections of the 800 Level did not give access to the main (East) vein. Instead these sections were part of a haulage tunnel, with veining and mineralization known to be present in the wallrock in either side of the tunnel or in (open or closed) raises and stopes above the haulage way. Within these sections sampling was done to investigate mineralization within the wallrock on one side or the other of a vein that was known to be present but inaccessible. When the field crew arrived in April 2008 the 800 Level was blocked by caving approximately 100 metres from the entrance.

A 3-compartment shaft (Plate 2) was originally driven down from the 800 Level to give access to the 1000 Level and beyond to the 1050 Level. A sump lies at the bottom of the shaft below the 1100 Level. This shaft is no longer operational and access to these depths is now only available by a ramp collared at the 900 Level (Plate 3) which continues for approximately 600 m to the 1000 Level and beyond to the 1050 Level. The 1100 Level is currently flooded and it and the sump are currently inaccessible.

Mineralization has been reported at several points in the shaft from the 1000 Level to above the 800 Level. Several historical pits and trenches are located south across the arroyo from the old mine workings and explored the southern extension of the Cerro Prieto vein system. Both north and south of the mine workings are reported one or more shallow shafts on the same vein. Other than the Anaconda Copper Co. report reviewed by Manning, Dr. Bain could not find any written record of these additional workings. Four chip samples were taken from these workings in January 2007 with the best assays of 1.16 g/t Au, 13.6 g/t Ag, 0.13% Pb and 0.41% Zn.

A review of Manning's report shows that he visited the Project in November 1968. An examination was made of both the 800 Level and the 1000 Level. Access to the 1000 Level was made by use of a ladder down the vertical shaft, as there was no operating lift present. As these levels were much more accessible than currently, surveying and sampling were carried out on them, as well as on various levels above the 800 Level.

From the Anaconda report (1934) reviewed by Manning it is known that mining had been carried out on the 1100 Level, and that the shaft would continue below this. In 1972 Mr. William Pye, consulting geologist, investigated the Cerro Prieto Project for Devex Corporation. He carried out extensive sampling of the 1000 Level vein south of the shaft, as well as a small amount of sampling at other sites on that level and on other levels. He reported findings similar to those of L.J. Manning. A review of Pye's findings by Morgain Minerals Inc. geological staff reported the higher grade sections from Pye's underground chip sampling program in Morgain Minerals Inc. 1998 Annual Report (filed on SEDAR May 19, 1999).

Note, the authors do not have the number, type, nature, spacing or density of the samples collected by Pye or the specific location and dimensions of the area sampled. Further, even though it is known that theassays were conducted by Southwestern Assayers & Chemists, Inc., a registered assayer in Tucson Arizona, the assay method utilized could not be determined. However, Dr. Bain has reviewed the Pye report and other historical reports (Manning, Smith, Dominquez, Morgain) and, in his opinion, Pye's findings and results are consistent with those other historical reports as well as his own results and are considered, in Dr. Bain's opinion, to be relevant.

Compania Fresnillo, S.A. de C.V. investigated and reported on the Cerro Prieto Project in 1987. The review stated that the mill treated 400 tons/day between 1906 and 1912 and estimated that approximately 500,000 tons of material had been processed. Other than this change the conclusions were the same as those of Manning and Pye. In that report (Smith, 1987) Ing. Evaristo Dominguez L. examined the underground workings and the surface topography of the old mine. He estimated that there was significant mineralization between the 800 and 1000 Levels.

Wulfenite, (PbMoO4), and mimetite, (Pb5(AsO4)3Cl) crystals have been mined from Cerro Prieto commencing in the early 1970s, when samples first appeared on the crystal specimen market (White, 1972; Bideaux, 1972; Moore, 2004). Local miners have collected samples from open cavities within the main Cerro Prieto vein intermittently from that time until the early 1990s. From 1990 to 1993 a ramp was driven down from the 900 Level by a crew led by Bryan and Ed Swoboda. This ramp provided access to the 1000 Level and 1050 Level to allow the continuation of the collection of mineral specimens. This collecting continued until 1994.

Morgain Minerals Inc. acquired an option to earn a 100% interest in the Project in April 1998. In the same year Morgain company geologists conducted an underground chip sampling program to confirm the assay values reported by Pye (1972) and Smith (1987). A news release by Morgain dated January 1999 reports that those values were confirmed. No technical report which includes that sampling program is available to the authors, the exact position of those samples within the workings is not known and the sampling was reported prior to the implementation of National Instrument 43-101; however they were written by engineers and geologists and are considered in Dr. Bain's opinion to be relevant.

Despite the selectivity of data in the Pye and Smith reports, Dr. Bain is confident, based on his review of several studies as well as his own preliminary sampling program, that the Morgain assay values are consistent with those of other programs. Drilling activity was first reported from the project after 1934. Following the report by Perry and Mulchay (1934), Anaconda Copper Co. drilled three diamond drill holes from underground stations on the 1000 Level. Although no detailed drill logs exist, the Anaconda report stated that:

Drillhole #1, 456 feet in length and dipping -60°, cut at right angles to the strike of the vein. It was intended to examine the ore at depth. It was reported to have exhibited only low gold, silver and lead values in the vein.

Drillhole #2, 537 feet in length and dipping -70°, cut at right angles to the strike of the vein. It was reported to have returned even lower values than those in Drillhole #1.

Drillhole #3, 1000 feet in length and dipping -72°, cut at right angles to the strike of the vein. It was reported to have contained moderate lead but low gold and silver values.

It is not known whether any of these holes cut through the entire shear. Hole #2 is reported to not have intersected the main vein. In 1998 Morgain conducted a reverse circulation (RC) drill program of 23 holes collared from surface. The assay results of this drill program and seven underground cross cuts were reported to the public in Morgain Minerals news releases of January 18, 1999 and March 16, 1999 and its 1998 Annual Report (all available on SEDAR). A historical estimate (Table 5) based on these assay results was calculated by Morgain Minerals management and also reported in its 1998 Annual Report.

Note that the only source that Dr. Bain is aware of showing the results of the Morgain drill program or the average gold equivalents for Blocks A to F and the historical estimates, which were reported as "preliminary reserve estimates", are the January 18, 1999 and March 16, 1999 Morgain news releases and Morgain's 1998 Annual Report. No technical reports of the drill program or the historical estimates are available to the authors. Consequently, the authors do not know the location of the drill collars or intercepts; the methodology used in the calculations of the average individual grades for each block; the average individual grades of each metal used to calculate the gold grade equivalent for each block; or the methodology and assumptions and parameters used in the preparation of the historical estimates. Also, the historical estimates are stated to have been prepared by Morgain management. The authors of the Cerro Prieto Technical Report are not aware of the technical qualifications of Morgain's management. The authors presume that Morgain management calculated the estimates using only geometrical parameters and assays taken at widely spaced intervals. It also does not appear that geostatistical information or economic factors to back up the valuations were used as is required in the calculation of reserves and resources by National Instrument 43-101.

However, the gold grade equivalents and historical estimates are based upon assay samples, including the assay results from the 23 reverse circulation drill holes reported in Table 4 above, and measurements obtained by engineers and geologists and assay results from a certified lab and which are consistent with results set out in other historical reports and with Dr. Bain's own results. In the authors' opinion the drill program results are relevant and reliable. It is also the author's opinion that the exploration results available to Morgain would have provided it sufficient information to calculate the reported historical estimates and that, subject to categorization of the reserve or resource, based upon the historical information available and Dr. Bain's own sampling results, the estimates as calculated are reasonable.

Also note that Morgain's historical estimates were prepared prior to the implementation of the Standards of National Instrument 43-101 and that under the current definitions of resources and reserves as stated in sections 1.2 and 1.3 of National Instrument 43-101 or in the CIM Standards on mineral resources and reserves, there is no category of "preliminary reserve estimate".

A qualified person has not done sufficient work to classify the historical estimates as a current mineral resource. The historical estimate is not being treated as a current estimate and the historical estimates should not be relied upon as a current estimate. None of the results from any of the programmes prior to Oroco's involvement in the project have been incorporated in the current resource estimate.

Dr. Bain first visited the Project in August 2006. A series of 19 channel samples were taken both on surface and at 50 metre intervals down ramp from the 900 Level Adit for a distance of 650 m. Dr. Bain also took select samples of mineralization from muck piles at the 1000 Level and the 1050 Level, and roof collapse on the 800 Level. Although not detailed, this sampling confirmed the type and grade of mineralization reported by others. A select sample (483003) of vein material was also taken from a trench/cut on a vein extending south from the south side of the arroyo, south of the old mine. It is assumed that this vein is a continuation of the West Vein.

Based on recommendations from this initial work a more detailed exploration program was initiated in December 2006 and January 2007. Access to the 800 Level, the 900 Level Ramp and the 1000 Level was improved by hand labour and a survey crew was brought in to produce a map of the workings. The veins and wallrock on either side were sampled at three metre intervals to provide more detail of grade, position and continuity of the mineralization. In addition traverses were made on surface, along the assumed strike both to the north and south of the known workings to check for continuity of the main structure and mineralized zones. Sampling of this material was carried out.

Based on review of the historical data, examination of the Project and the August assay results Dr. Bain concluded that there was potential for additional mineralization of grades similar to those already reported by Manning (1969), Pye (1972) and Smith (1986). Maximum values from Dr. Bain's initial samples were 4.37g/t Au, 701 g/t Ag, 8.6% Pb, 5.87% Zn and 6050 ppm (0.605%) Mo. Based on the data collected from this initial visit Dr. Bain recommended that a more detailed exploration program be carried out on the Cerro Prieto property to explore for mineralization from the surface (0 Level) to below the 1050 Level similar in grade to that already mined in the early 20th century.

In mid December 2006, a crew was hired to clean up the 800 level for easy and safe access and in late December Dr. Bain, a representative from Oroco and Sr. German Gonzalez, manager of the cleanup crew and sampling program, prepared for a major sampling program on the property. Muck piles blocking access to the 800 Level were removed, but a lack of easily accessible water prevented the walls of these workings from being properly cleaned to make major and minor veins more visible.

From January 2 to 6, 2007 the workers hired to do cleanup were re-hired and carried out underground sampling of the 800 Level, the 900 Ramp and the 1000 Level workings, and farther down the ramp to the 1050 Level. They were supervised by Sr. Gonzalez and by Dr. Bain. At the 800 Level the silver content was relatively low with only one sample assaying greater than 50 g/t. Highest values reported from the detailed sampling program are 43 g/t Au, 89.9 g/t Ag, 3.68% Pb, 11.30% Zn, and 0.185% Mo.

Sampling of the 900 Ramp extended from the adit downslope past a crosscut access to a parallel vein (West Vein) and beyond to approximately the 1050 Level (Figure 10). Although not recognized during the initial visit, Dr. Bain realized that the December-January sampling program would not follow the East Vein for most of the ramp, as this tunnel was only created by crystal miners (Swoboda, 1994; Moore, 2004) to gain access to specimen quality crystals of wulfenite and mimetite at the 1000 and 1050 levels without due regard for the base and precious metal potential for industrial use. Therefore many sample sites did not actually contain the West Vein, and therefore, overall assay values are lower. Samples 701 to 707 represent samples taken in the crosscut at the 1000 Level, between the 900 Ramp where it intersects the East Vein. These samples were taken every three metres along this crosscut from the East Vein for approximately 21 metres west to the drift that exposes the West Vein at the 1000 Level.

These samples cover stringer and narrow vein mineralization located between the East Vein and West Vein, similar to that seen on the 800 Level. Lead, zinc and silver mineralization is mainly found within the East Vein (4.41% Pb, 2.47% Zn, 213 g/t Ag) although as above, the zinc mineralization is continuous for most of this section. Low grade gold is present at one site. The three underground samples (483056-57, 483061) report high values in lead, zinc and silver and are select samples of mineralization in or in close proximity to the East Vein. Highest values are 1055 g/t Ag and > 30% Pb from sample 483061. High sulphur and arsenic values indicate some sulphide mineralization, although at this point there is little present in the main underground workings. The samples cover an elevation of 80 metres (250 feet). Lead and zinc values are moderate to high in most of the samples. Sample 483058 contains high gold, assaying 16.3 g/t Au.

Geological Setting

Regional Geology

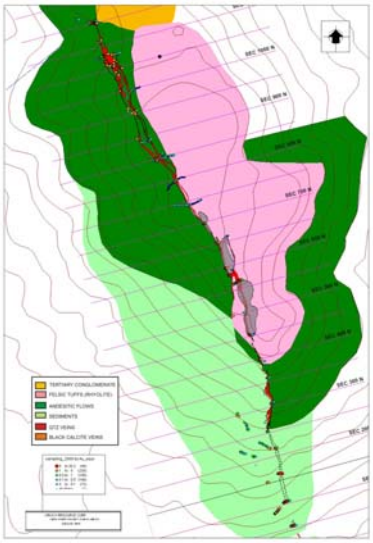
Jurassic and Cretaceous rocks in the Magdalena de Kino-Cucurpe region record the transition from a shallow level magmatic arc to a northwest trending marine embayment (Nourse, 1995). The stratigraphy is subdivided into 1) Lower or Middle Jurassic Rhyolite Porphyry and quartz arenite/conglomerate, 2) Upper Jurassic-Lower Cretaceous Glance Conglomerate, with minor sandstone-siltstone, 3) Lower Cretaceous basinal marine clastic and carbonate sediments of the Bisbee Group, and 4) Lower-Middle Tertiary shallow marine siliclastic deposits corresponding to the Baucarit Formation. The lower three series were weakly metamorphosed by compression during the Laramide Orogeny and/or by mid-Tertiary volcanism, mylonitization and detachment faulting. Felsic intrusions reported from Upper Cretaceous/Lower Tertiary may be remnants of a metamorphic core complex. The area around the Cerro Prieto Project is underlain by Lower to Middle Tertiary age shallow marine/shoreline/deltaic deposits of conglomerate and quartz arenite. These have been capped by Lower to Middle Tertiary volcanic flows of andesite/basalt composition, and by rhyolite-dacite ash flow tuffs. These resistant volcanic "caps" produce the rugged topography and sharp changes in elevation.

Property Geology

Stratigraphy

Regional geology is shown below in the Figure: Phase 1 Trench and Outcrop Sample Locations. The local area including the Project consists of terrigenous shallow marine to deltaic clastic sediments, equivalent to the Baucarit Formation (Nourse, 1995). Generally this formation is composed of polymictic conglomerate partly consolidated and cemented in a medium grained matrix. It is possible to observe these rocks on the north side of Cerro Prieto, in discordant contact with both the Cretaceous sediments and the intrusions of the area, but otherwise they are rare in the Project area. Within the Project these Tertiary sediments consist of thinly bedded fine to medium grained arenites. These have a general strike of 055° and a general dip of 30° to 45° to the northwest. They are weakly metamorphosed and highly silicified.

Intrusions of tonalite are also present in the area, although not seen within the old mine. They range from red to grey, and indicate alteration due to hydrothermal activity. Total kaolinization of feldspar phenocrysts indicates that the alteration was intense. These intrusions are considered to be of Middle or Upper Cretaceous age and are equivalent to a granite/granodiorite batholith found east of the property. Within the Project Tertiary volcanic rocks are represented by andesitic to basaltic flows and minor rhyolite flows. They lie disconformably between the Tertiary arenites and polymictic conglomerates. In places exte$nsive rhyolite/dacite tuff beds have been deposited. Dyke rocks consisting of andesite porphyry are found in the central part of the Project area. This is reported by Smith (1987) but to the author's knowledge there is no detailed surface map of the Project that shows the exact position of these intrusive rocks. Smith reports these shallow intrusions/dykes to be found about the 700 Level and are cutting the Lower Cretaceous Bisbee Group sediments.



Phase 1 Trench and Outcrop Sample Locations

Structural Geology

The principal structure in the Project area is a zone of shearing with a strike of 345° and an average dip of 70° - 80° to the northeast. It cuts all units in the area, from Jurassic to Tertiary in age. This shear zone is up to 65 metres wide, is a regional structure, and can be traced for approximately ten kilometres both north and south of the old mine. At the old mine site this structure strikes 350° and dips vertical to 80° to the northeast. The system is generally continuous but is offset over a few metres by several small crosscutting fractures. In the vicinity of the mine strong siliceous dykes (metamorphosed rhyolite dykes?) act as boundaries to the shear zone. Similar dykes are found in the area around the mine, which may be indicators to the locations of other shear zones in the vicinity. Quartz veins and minor calcite veins are present within the shear zone.

It is evident after two phases of drilling that two major structures cross cut the main mineralized zone and have relative vertical movements of from 250 to +400 metres. One such structure crosses the mineralized zone at approximately section 650N and a second such feature crosses at approximately section 1100N. Both feature major down drops on the north side of the structures and have a bearing on the style and intensity of the mineralization.

Mineralization

Historical information (Manning, 1969; Pye, 1972; Smith, 1986) reported that the mineralized veins are confined to the hanging wall and footwall boundaries of the shear zone. Investigation by Dr. Bain confirmed this but also showed that there are two major veins. The main East Vein, averaging 1.7 metres in width, lies on or close to the east wall of the shear zone. The narrower West Vein, which averages 1.0 metres in width, lies against the west wall of the shear zone. In addition to these two major veins the shear zone usually carries one or more subsidiary zones of mineralization, both as disseminations in the wallrock and in narrow (1 to 40 centimetres wide) veins and stringers, between the two major veins. These are not as persistent as the main vein. They are en echelon and parallel the major veins. These subsidiary mineralized zones were seen by Dr. Bain at the 600 Level and 800 Level adits west of the main workings (access to East Vein), and represent surface exposure of these subsidiary veins.

Drilling in 2008 and 2009 confirmed that the mineralized zone consists of quartz veins, breccia with quartz, barite, hematite and manganese cement, sheared rock with veinlets and microveinlets primarily but not totally within a zone confined by quartz veining. The lead and zinc in the oxide mineralization are yellow and white clays respectively and the actual minerals have not been identified to date. In the sulphide zone the minerals containing lead and zinc are primarily galena and sphalerite respectively. The only copper mineral noted is chalcopyrite.

Deposit Type

The initial investigation of the Project led Dr. Bain to consider that the Cerro Prieto Project mineralization is a mesothermal (moderate depth) vein system. This type of deposit lies generally between near surface high grade epithermal gold-silver type deposits and the deeper base metal vein to upper parts of a copper-molybdenum porphyry system. Results of Dr. Bain's 2007 sampling suggested that there may have been more than one mineralizing event. Detailed sampling by Dr. Bain showed numerous results with 1 to 3 g/t gold values (where much of the vein material was unavailable for sampling), and a significant number of assay results ranging from 3 to 43 g/t gold. These relatively high grade results, from surface down to 1050 Level (1050 feet or 320 m) suggest that an epithermal near-surface gold-mineralized system may also be present. Drilling results from Oroco's 2008 and 2009 programs support the theory of multiple mineralizing events within the broader mineralized zone. Several holes exhibit overlapping zones of high precious and base metals. In general though, gold and silver are more evident in the higher portions of the systems and lead and zinc are higher in the deeper parts of the system.

After reviewing the data Dr. Bain concludes that the mineralized zone is an example of recurring mineralizing events through a long history but in appearance may be considered to be a telescoped epithermal – mesothermal system.

Exploration

The Cerro Prieto Project Technical Report is a compilation of work conducted by Oroco Resource Corp. and previous operators. It is intended to provide a detailed summary of the mineral potential of the Cerro Prieto Project. No fieldbased exploration has been carried out since completion of the Phase 3 drilling program by Oroco. The report is to be used to assist in Goldgroup's decision to acquire the Cerro Prieto Project from Oroco Resource Corp. At the request of Kevin Sullivan, Goldgroup's Former Vice-President of Exploration, Giroux Consultants Ltd. was contracted in the spring of 2013 to produce a resource update based on 41 additional infill and step out holes completed in 2011-12 on the Cerro Prieto Au-Zn deposit.

Drilling

During 2013 the Company did not perform any drilling at the Cerro Prieto Project.

As of the date of the Cerro Prieto Project Technical Report there was no drilling carried out since completion of the Phase 3 program by Oroco, as reported by Oroco in April 2012 (Oroco news release, April 19, 2012).

Production

During the year ended December 31, 2013 the Company commenced production at the Cerro Prieto Project. The Company did not announce its production results until after the year ended December 31, 2013. Subsequent to December 31, 2013 the Company announced on January 9, 2014 that it had started producton and produced 285 ounces of gold from the initial gold production in December 2013 from its Cerro Prieto Project.

Preparation, Analysis and Security

Drill core sampling was supervised by the senior geologist on site. Prior to the core being cut with a diamond saw, the core was oriented and geologically logged. The logger would then mark up sample intervals which were restricted by geological contacts. No sample was taken longer than 1.5 metres. As identifying numbered sample tag and the bag was stapled shut. The sample number was also written on the outside of the plastic sample bag and the samples were placed in larger bags not exceeding 20 kilograms in weight for transport to the laboratory. The larger sample bags were secured with a tamper proof fastener. The sample number was also entered into the geologic log at the appropriate down hole interval. Samples were submitted to the laboratory for assaying.

A second sample was submitted for every 25 samples to a different laboratory. For core, the halved core was cut in half again and treated the same as the initial sample with respect to bagging and tagging. In order to test the full range of assays in the resampling procedure slight modifications were made in selecting every 25th sample to ensure the full spectrum of assays was represented.

To check the lab accuracy every 40th sample submitted was a blank sample. Blanks consisted of samples from an outcrop of massive rhyolite located approximately five kilometres from the Cerro Prieto mineralized zone. Samples were delivered by one of the company's geologists to a globally recognized ISO certified laboratory (ALS-Chemex Labs) in Hermosillo for assaying. All samples were of rock and weighed an average of one to two kilograms. Check samples were delivered to Inspectorate America Corporation in Guadalajara for sample preparation and pulps were shipped to Sparks, Nevada for assaying.

All samples were transported by one of the company's geologists to the ALS-Chemex lab in Hermosillo, Mexico for sample preparation and analysis. For the 35 element analyses the Induced Coupled Plasma Mass Spectrometry (ICP-MS) procedure was used. Gold and silver contents were determined by Fire Assay-Atomic Absorption method from 30 gram pulps. Pulps and rejects are stored by the lab for a minimum of 90 days.

Sampling and Analysis

Samples were dried at 110-120°C and then crushed with either an oscillating jaw crusher or a roll crusher. Both labs' Quality Control (QC) specification for crushed material is that >70% of the sample must pass a 2mm (10 mesh) screen. The entire sample is crushed, but typically 250 g to 1 kg, is subdivided from the main sample by use of a riffle splitter. If splitting is required, a substantial part of the sample (the "reject" or "spare") remains. A whole or split portion derived from the crushing process is pulverized using a ring mill. QC specification for final pulverizing is that >85% of the sample be less than 75 microns.

ICP-MS

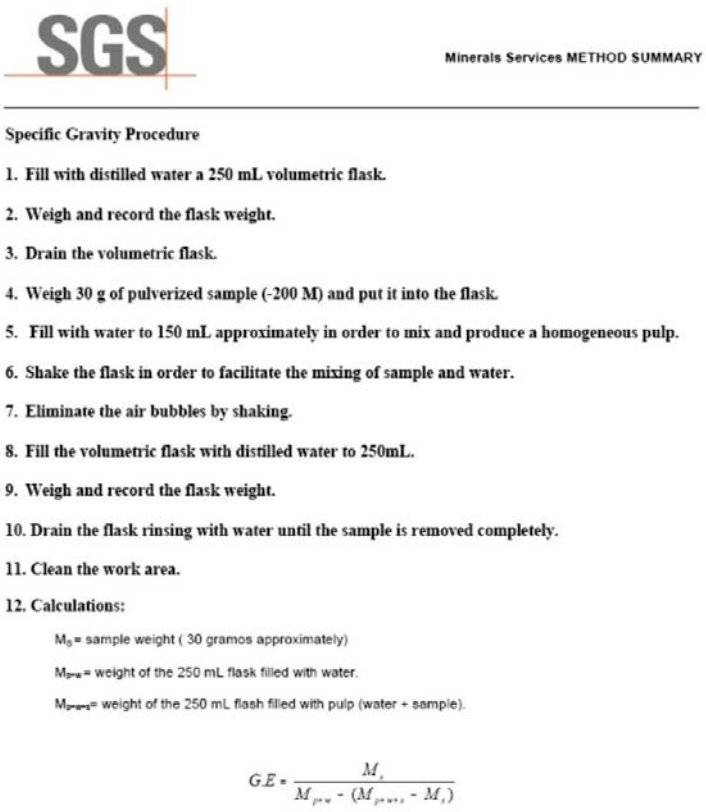
In plasma mass spectroscopy, the inductively coupled argon plasma (ICP) is used as an excitation source for the elements of interest. The plasma in ICP-MS is used to generate ions that are then introduced to the mass spectrometer. These ions are then separated and collected according to their mass to charge ratios. The constituents of an unknown sample can then be identified and measured. ICP-MS offers extremely high sensitivity to a wide range of elements. It is a multi-element analytical technique capable of determining an extremely wide range of elements to very low detection limits (typically sub ppb).

Fire Assay

Because ICP-MS does not give a sufficiently low detection limit for gold the Fire Assay method was used for this element. This consists of the melting (fusion and cupellation) of the pulp of a sample of interest. The precious metal bead that remains following cupellation is an alloy of silver and gold. When an atomic absorption spectroscopy finish is selected, the upper reporting limit is set at 10 g/t (0.3 oz/ton) and samples higher than this must be re-analyzed using additional silver in the firing process and a larger dilution factor.

Alternatively, gravimetric finish can be used for those samples reporting greater than 10 g/t gold. Standard Fire Assay methods are used to produce a gold-silver bead. Gravimetric methods involve the use of balances to weigh the element of interest, either in its pure elemental form or as a chemical compound. Weighing this bead will give the total weight of silver and gold. If the bead is then treated with dilute nitric acid, it is possible to remove the silver quantitatively. The residual mass consists of pure gold which can then be weighed separately, thus allowing the silver to be determined by the difference. The balances used for this purpose are microbalances capable of weighing to the nearest microgram (one millionth of a gram). The fire assay procedure is universally accepted as the definitive method for the analysis of gold.

Dr. Bain has reviewed the nature, extent and results of quality control procedures used and quality assurance actions taken to provide adequate confidence in the data collection and processing. He has also reviewed the sample preparation procedures, security and analytical procedures described above and he is satisfied that they provide adequate confidence in the results of the analyses.



SGS Minerals Services METHOD SUMMARY

Specific Gravity Procedure

1. **Fill with distilled water a 250 mL volumetric flask.**
2. **Weigh and record the flask weight.**
3. **Drain the volumetric flask.**
4. **Weigh 30 g of pulverized sample (-200 M) and put it into the flask.**
5. **Fill with water to 150 mL approximately in order to mix and produce a homogeneous pulp.**
6. **Shake the flask in order to facilitate the mixing of sample and water.**
7. **Eliminate the air bubbles by shaking.**
8. **Fill the volumetric flask with distilled water to 250mL.**
9. **Weigh and record the flask weight.**
10. **Drain the flask rinsing with water until the sample is removed completely.**
11. **Clean the work area.**
12. **Calculations:**

M_s = sample weight (30 gramos approximately)

M_{pw} = weight of the 250 mL flask filled with water.

M_{pws} = weight of the 250 mL flash filled with pulp (water + sample).

$$G.E = \frac{M_s}{M_{pw} - (M_{pws} - M_s)}$$

Specific Gravity Procedure

Mineral Resource Estimates

At the request of Kevin Sullivan, Former Vice-President of Exploration for Goldgroup, Giroux Consultants Ltd. was contracted to produce a resource update based on 41 additional infill and step out holes completed in 2011-12 on the Cerro Prieto Au-Zn deposit. G.H. Giroux is the qualified person responsible for the resource estimate. Mr. Giroux is a qualified person by virtue of education, experience and membership in a professional association. He is independent of both the issuer and the vendor applying all of the tests in section 1.5 of National Instrument 43-101. Mr. Giroux has not visited the property.

Data Analysis

Goldgroup provided drill hole data on 107 drill holes and 957 surface and underground channel samples of which 88 drill holes and 446 channel samples were within the mineralized area estimated for the Cerro Prieto Au-Zn Deposit. The effective date for this resource is May 7, 2013. Goldgroup geologic staff provided a geologic (combined grade zone) model for the deposit outlining mineralized veins. The assay data was coded as waste or veins and the statistics for each variable are included in the Cerro Prieto Project Technical Report.

In the case of gold within the veins a threshold for capping was chosen at 2 standard deviations above the mean of population 2. A total of 9 gold assays were capped at 18 g/t Au. The capping procedure for the remaining variables in the veins and waste zones are summarized in the Cerro Prieto Project Technical Report.

Composites

Drill holes were "passed through" the geologic solids with the point of entry and exit recorded. Uniform down hole 3 m composites were formed for Veins and Waste honouring the solid boundaries. Intervals at the boundaries less than 1.5 m were combined with adjoining samples to produce a file of uniform support at 3 ± 1.5 m. While the number of composites in veins is less than the number of assays the number of composites in waste increased due to large unsampled intervals being broken up into 3 m composites with equal low grade.

Variography

Based on the geology, pairwise relative semivariograms were produced along strike (Az. 340) and down dip (Az. 70 Dip - 75) for each of the four variables within each of the vein and waste domains. Within the veins all variable showed the maximum continuity along directions Az. 340 Dip 0 and Az. 75 Dip - 75. In the surrounding lower grade waste all variables showed similar anisotropy to the veins. The parameters for all models are tabulated and can be found in the Ceero Prieto Project Technical Report.

Bulk Density

A total of 89 reject samples were submitted to SGS de Mexico S.A. de C.V. in Durango, Mexico from two drill holes CP009 and CP019. SGS used a weight in air weight in water procedure to determine the specific gravity (see Appendix 3 of the Cerro Prieto Project Technical Report for laboratory procedure).

This procedure was used for the 2009 Oroco resource estimate, (Bain and Giroux, 2009). During 2009 field determinations were also made for these 89 samples by wrapping the ½ core in plastic wrap and using the weight in air weight in water method. The comparisons between the two methodologies are discussed in the Cerro Prieto Project Technical Report. It is clear that while using the crushed reject material in the Lab may give an appropriate specific gravity for the minerals present, it fails to take into account the porosity present in the rock. This is especially important in an oxide deposit such as Cerro Prieto where the crushed reject material indicates significantly higher bulk densities.

During the 2009 drill campaign an additional 746 samples from holes CP025 to CP066 were measured in the field using small pieces of core wrapped in plastic wrap and then measured using the wt. in air - wt. in water method. An additional 438 specific gravities were taken in 2011-12 from holes numbered CP067 to CP102 using small pieces of core wrapped in plastic wrap and then measured using the wt. in air - wt. in water method. These combined 1,273 specific gravity determinations were used to interpolate a bulk density value into every estimated block in the model by the inverse distance squared method. The specific gravity for the vein portion of blocks was estimated from specific gravities in vein material while the specific gravity in waste portions of blocks was estimated from samples in waste. The total specific gravity for the block was a weighted average of the two estimates.

Each block was compared to the various solids and the percentage within Veins and Interpreted Stopes was recorded. The stopes solids were built from surface exposure and drill intersections and the percentage of stope present within each block was subtracted from the blocks volume when computing tonnage. The tonnage that could be mined can be estimated for blocks containing some proportion of stopes by assuming a specific gravity for material previously mined at 2.77. Using all blocks with some percentage within stopes a tonnage of 1,025, 000 tonnes is estimated for the mined areas.

For all other technical data the reader should refer to the Cerro Prieto Technical report.

Cerro Prieto Project – Measure, Indicated & Inferred Resources

Based on Mr. Giroux's experience carrying out mineral resource estimates Mr. Giroux has no reason to believe that the Cerro Prieto mineral resource estimates could be materially affected by any known environmental, permitting, legal, title, taxation, socio-economic, marketing, political, or other relevant factors. Below are the Measured, Indicated and Inferred Resource Estimates which have been resported in the Cerro Prieto Project Technical Report.

CERRO PRIETO MEASURED RESOURCE IN VEINS

Cut-off (Au g/t)	Tonnes > Cut-off (tonnes)	Grade > Cut-off			
		Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)
0.10	1,230,000	1.51	30.67	0.15	0.34
0.15	1,230,000	1.51	30.69	0.15	0.34
0.20	1,220,000	1.52	30.46	0.15	0.34
0.25	**1,180,000**	**1.56**	**30.28**	**0.15**	**0.33**
0.30	1,160,000	1.58	30.31	0.15	0.33
0.40	1,090,000	1.66	30.45	0.14	0.33
0.50	1,030,000	1.73	30.68	0.15	0.33
0.60	960,000	1.81	30.74	0.14	0.33
0.70	880,000	1.92	30.77	0.14	0.33
0.80	790,000	2.05	30.98	0.14	0.32
0.90	720,000	2.17	31.00	0.14	0.32
1.00	660,000	2.28	31.03	0.15	0.32

CERRO PRIETO INDICATED RESOURCE IN VEINS

Cut-off (Au g/t)	Tonnes > Cut-off (tonnes)	Grade > Cut-off			
		Au (g/t)	(Ag g/t)	Pb (%)	Zn (%)
0.10	5,130,000	1.00	22.60	0.32	0.79
0.15	5,120,000	1.00	22.56	0.32	0.79
0.20	5,050,000	1.01	22.43	0.32	0.80
0.25	**4,920,000**	**1.03**	**22.12**	**0.32**	**0.80**
0.30	4,760,000	1.06	21.79	0.31	0.79
0.40	4,090,000	1.17	22.11	0.31	0.76
0.50	3,450,000	1.31	21.92	0.31	0.76
0.60	2,940,000	1.44	22.23	0.31	0.75
0.70	2,570,000	1.55	22.72	0.30	0.72
0.80	2,230,000	1.67	23.33	0.28	0.70
0.90	1,950,000	1.79	23.51	0.27	0.66
1.00	1,750,000	1.89	24.29	0.26	0.64

CERRO PRIETO INFERRED RESOURCE IN VEINS

Cut-off (Au g/t)	Tonnes > Cut-off (tonnes)	Grade > Cut-off			
		Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)
0.10	5,100,000	0.74	21.20	0.49	1.28
0.15	5,100,000	0.74	21.20	0.49	1.28
0.20	5,091,000	0.74	21.05	0.49	1.28
0.25	**5,025,000**	**0.75**	**20.62**	**0.49**	**1.28**
0.30	4,883,000	0.76	20.59	0.49	1.28
0.40	3,994,000	0.85	21.39	0.51	1.29
0.50	3,160,000	0.96	22.67	0.51	1.27
0.60	2,323,000	1.11	23.68	0.48	1.18
0.70	1,901,000	1.21	22.99	0.47	1.15
0.80	1,538,000	1.32	21.21	0.45	1.11
0.90	1,315,000	1.40	19.85	0.45	1.09
1.00	1,082,000	1.50	19.94	0.44	1.05

Mineral Reserve Estimate

No mineral reserve estimate has been done on the Cerro Prieto Project.

Mining Operations

Mining Method

As at the date of the Cerro Prieto Project Technical Report, the authors did not have knowledge of any mining methods have been outlined for the Cerro Prieto Project.

Recovery Methods

As at the date of the Cerro Prieto Project Technical Report, the authors did not receive any reported recovery methods.

Market Studies and Contracts

As at the date of the Cerro Prieto Project Technical Report, the authors did not have knowledge of any market studies or contracts having been discussed.

Environmental Studies, Permitting and Social or Community Impact

As at the date of the Cerro Prieto Project Technical Report, the authors did not receive any information on environmental studies, permitting or social/community impact.

Taxation

On December 11, 2013 it was published in the Mexico Federal Official Gazette a decree amending, supplementing or repealing several tax provisions thereof that take effect on January 1, 2014. This reform, among other things, repealing the Income Tax and IETU tax laws in effect at December 31, 2013 and establishes a new Income Tax Law effective as of January 1, 2014.

The main amendments to the Tax Reform 2014 with effects for the Company consisted of the following:

a) The new law establishes the income tax rate for 2014 and subsequent years of 30%; the previous tax law stated that the income tax rate would be 29% for 2014 and 28% from 2015.
b) The new law provides that paid dividends will be subject to an additional tax of 10%, which shall be withheld by the entities that pay the dividends. This applies to the profits generated from 2014 and thereafter.
c) The new law limits the deductible amount of some employee benefits expenses, that is the expenses for wages that are an exempt income for the employee will be deductible only in 47% and in some cases up to 53%.
d) The new tax law amends the basis for calculating accrued PTU, effective for 2014 it will be the net taxable income for income tax purposes with some adjustments considered in the new Income Tax Law.

Exploration drilling and Subsequent Production

During 2013 the Company did not perform any exploration drilling. However it did drill 1,000 metres of short RC holes to better define the limits of near surface mineralization within the proposed phase 1 mining area.

Subsequent to December 31, 2013 the Company announced on January 9, 2014 that it had started producton and produced 285 ounces of gold from the initial gold production in December 2013 from its Cerro Prieto Project. On November 25, 2013 the Company announced that the first material at the Cerro Prieo Project had been crushed. The phase one leach pad and ponds were completed and stacking of crushed material was planned to commence immediately with leaching commencing shortly thereafter. The Company also stated that it wished to make clear that was is not basing its production decision on a preliminary economic assessment demonstrating the potential viability of mineral resources or a feasibility study of mineral reserves demonstrating economic and technical viability, and as a result there is increased uncertainty and multiple technical and economic risks of failure which are associated with this production decision.

Subsequent to year end, as part of phase one, the company has stacked in excess of 100,000 tonnes of material on the leach pad, crushed 100 % minus 12mm. and to the end March 2014 had recovered 2,057 ounces of gold, with stacking and leaching continuing.

The company received its blasting permit at end February 2014 which allowed drilling and blasting to commence. Prior to this all material was ripped by bulldozer. Much of the equipment, crushing plant and personnel were moved to Cerro Prieto, a distance of approx 200 kms, from the Cerro Colorado operation. The Cerro Colorado operation is continuing to leach but stopped mining in September 2013. This allowed a low cost transition to start Cerro Prieto.

1.6.5 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 was in effect up to June 2012, and extended to June 2013 as allowed under the option agreement. The required funding of work costs will resume once force majeure no longer exists.

During the fourth quarter of 2012 management decided that it was not going to continue exploration on this property. Accordingly, exploration costs of $489,000 were written off in the period.

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 $932,000 to date were written off at that time.

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). The Company has concluded that it is not in the best interest of the Company to proceed with the El Cajon Property and therefore during the year ended December 31, 2012 the Company has discontinued with annual payments or any other payments which may be required.

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.

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.

DESCRIPTION OF CAPITAL STRUCTURE

1.7 GENERAL DESCRIPTION OF CAPITAL STRUCTURE

Authorized and Issued Capital

The Company is authorized to issue an unlimited number of common shares. As at March 31, 2014 the Company has **136,436,575** 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, 2013, the Company also had the following options and warrants issued and outstanding:

- 8,748,858 common share purchase options with a weighted average exercise price of C$0.9981 expiring at various dates to November 18, 2018.
- 2,000,000 common share purchase warrants with an exercise price of C$1.25, expiring on November 26, 2015.

1.8 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.

1.9 RATINGS

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

MARKET FOR SECURITIES

1.10 TRADING PRICE AND VOLUME

The common shares of the Company are listed for trading on the 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, 2013 to December 31, 2013 for Goldgroup:

Trading Price and Volume for the Year 2013

Month	High $	Low $	Volume
January	0.41	0.34	2,366,081
February	0.37	0.27	954,817
March	0.32	0.22	1,587,038
April	0.25	0.16	1,426,335
May	0.17	0.12	1,894,778
June	0.14	0.11	1,011,108
July	0.13	0.09	1,751,865
August	0.15	0.11	1,606,873
September	0.14	0.11	1,802,791
October	0.13	0.10	1,044,847
November	0.10	0.06	1,901,302
December	0.10	0.07	3,068,931

1.11 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.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

As at March 31, 2014, none of the Company's issued and outstanding common shares were in escrow or subject to a contractual restriction on transfer.

DIRECTORS AND OFFICERS

1.12 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) Strategic Committee (**SC**).

Name of Director/Officer	Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed	Number of Options Held
Keith Piggott		
 Sonora, Mexico Director since: August 2006 Non-Independent Member of the Board	15,371,445[(1)]	1,500,000

Principal Occupation for the Past Five Years: Keith Piggott is currently the President, Chairman and a Director of the Company. Mr. Piggott is the Legal Representative of 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.

Number of Stock Options Granted	Exercise Price	Expiry
61,403	$0.57	May 1, 2014
326,843	$1.00	May 18, 2014
201,754	$0.627	November 1, 2014
150,000	$1.25	January 31, 2015
260,000	$1.40	June 15, 2016
500,000	$0.10	November 18, 2018

Notes:

(1) Of the 15,371,445 common shares, 11,582,011 common shares are held by Happy Holdings Limited and 3,789,434 are held directly by Keith Piggott.
(2) Mr. Piggott was the Company's CEO from April 30, 2010 and President from March 25, 2011 to October 11, 2012 whereby Mr. Sedun replaced him as Interim President and CEO. Hans von Michaelis was appointed as the Company's President & CEO to replace Gregg J. Sedun effective November 13, 2012. Mr. Von Michaelis resigned as the Company President, CEO and Director on June 26, 2013 at which time Mr. Piggott was appointed as Chairman, President & CEO of the Company.
(3) Keith Piggott is not independent as he is currently the Company's President, Chairman and CEO.

Gregg J. Sedun		
 British Columbia, Canada Director since: April 2010 Non-Independent Member of the Board Member of the SC	1,715,500[(1)]	1,050,000

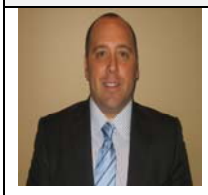
Principal Occupation for the Past Five Years: President/AND CEO of Global Vision Capital Corp., a venture capital company based in Vancouver Canada, as well as a director/officer of numerous public companies.

Number of Stock Options Granted	Exercise Price	Expiry
290,000	$1.00	May 18, 2014
150,000	$1.25	January 31, 2015
260,000	$1.40	June 15, 2016
150,000	$0.37	December 19, 2017
200,000	$0.10	November 18, 2018

Notes:

(1) Of the 1,715,500 common shares, 750,000 common shares are held by GJS Capital Corp. and 965,500 are held directly by Gregg Sedun.
(2) Gregg J. Sedun is not independent as he held the position of Executive Chairman from April 30, 2010 to November 13, 2012 and also Interim President & CEO from October 11, 2012 to November 13, 2012.

Name of Director/Officer	Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed	Number of Options Held
Corry J. Silbernagel		
 British Columbia, Canada Director since: May 2010 Independent Member of the Board Member of the AC Member of the GNC Chair & Member of the CC Chair & Member of the SC	500,907	500,907
	Principal Occupation for the Past Five Years: Mr. Silbernagel is Partner of Bond Capital, a Vancouver-based private equity fund. He currently is a Director of Expedition Mining Inc. Formerly he was a Director of Universal Uranium Ltd., and a Director and Senior Officer of 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 Bachelor's degree in Applied Science in Civil Engineering from the University of British Columbia.	
	Number of Stock Options Granted / **Exercise Price** / **Expiry** 75,000 / $1.25 / January 31, 2015 100,000 / $1.00 / May 18, 2015 175,000 / $1.40 / June 15, 2016 200,000 / $0.10 / November 18, 2018	
Donald R. Siemens		
 British Columbia, Canada Director since: June 2013 Independent Member of the Board and Lead Director Chair & Member of the AC Member of the CC Chair & Member of the GNC Chair & Member of the SC	Nil	500,000
	Principal Occupation for the Past Five Years: Currently, as an independent financial advisor, Mr. Siemens specializes in Corporate Finance, cross-border transactions and Mergers & Acquisitions. Mr. Siemens brings over 30 years of experience to the board as a Chartered Accountant, including 8 years in public practice as a partner with major accounting firms, 8 years in senior executive positions in the industry and 18 years as a self- employed Financial Services executive. He currently serves as a director and Audit Committee Chair for three public companies: He currently also serves as a director and Audit Committee Chair for five other public companies: He is currently a Director and Audit Committee Chair or Argentex Mining Corporation, Boss Power Corp., Hansa Resources Limited, Nikos Explorations Ltd, and Spur Ventures Inc. He also serves as a Director and Audit Committee member of Great Western Minerals Group Inc. Previously, Mr. Siemens was Partner-in-Charge of Thorne Ernst & Whinney's (now KPMG) Vancouver office Financial Advisory Services group. Mr. Siemens obtained a Chartered Accountant designation in 1972, and a B.A. from University of British Columbia.	
	Number of Stock Options Granted / **Exercise Price** / **Expiry** 500,000 / $0.10 / November 18, 2018	
Enrique A. Peralta		
 Mexico City, Mexico Director since: June 2013 Independent Member of the Board Member of the GNC	Nil	300,000
	Principal Occupation for the Past Five Years: In 2006, Mr. Peralta established a boutique law firm, Peralta Abogados, S.C. located in Mexico. Peralta Abogados, S.C. specializes in Corporate and regulatory compliance in Mexico including corporate mergers, acquisitions, capital market transactions and general corporate law amongst other things. Mr. Peralta's professional career commenced in 1979 whereby his practice primarily worked with the Ministry of Finance participating in the negotiations of international financial transactions entered into by Mexican public sector entities.	
	Number of Stock Options Granted / **Exercise Price** / **Expiry** 300,000 / $0.10 / November 18, 2018	

Name of Director/Officer	Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed	Number of Options Held
Javier Reyes		
 Mexico City, Mexico Director since: June 2011 Independent Member of the Board Member of the AC Member of the CC	Nil	300,000
	Principal Occupation for the Past Five Years: Mr. Reyes is the Founder (2004), President and Chief Executive Officer of Antares Capital Management Ltd., a company that manages four hedge funds which are located in Tortola, British Virgin Islands. Mr. Reyes holds a Bachelor's Degree in Economics and Business Administration and also holds a Masters in Finance. He began his professional and financial services career in 1996 at a well-known brokerage firm in Mexico City. In 2001, he founded a financial consultancy company, where he became the CEO. Mr. Reyes is the founder, President and Chief Executive Officer of the Antares Capital Management and Cygnus Asset Management, and manages 3 hedge funds: Antares Capital Fund, Antares Oil & Gas Fund and Cygnus Real Estate Opportunity Fund. Mr. Reyes currently holds the following positions: President of Credipresto, S.A. de C.V. ENR. (since 2007)and President of Mex e Trade Asesores, S.C. (since 2004). Mr. Reyes has also held the following positions: Chief Executive Office of Mex e Trade On Line, S.C. (2001-2003); Financial Manager of Fabrica de Calzado Liz Ardel, S.A. (1998-2000); and Financial Advisor of Estrategia Bursatil, S.A. (1995-1997).	
	Number of Stock Options Granted / **Exercise Price** / **Expiry** 300,000 / $0.10 / November 18, 2018	
Gabino Fraga Pena		
 Polanco, Mexico Director since: June 2013 Non-Independent Member of the Board	Nil	300,000
	Principal Occupation for the Past Five Years: Mr. Fraga Pena has specialized in Mexican Agrarian Law for over 20 years. Mr. Fraga Pena is a founding partner and Chief Executive Officer of Grupo GAP. Grupo GAP has provided services to such companies as Alamos Gold Limited, Agnico-Eagle Limited, Western Silver Corp., Goldcorp, Grupo Mexico and Pan American Silver. Mr. Fraga Pena has been a lecturer and speaker in various forums such as the Agrarian Law and Procedure, Faculty of Law, Universidad Nacional Autónoma de México and the National and International Forums. Mr. Fraga Pena is currently a Director of International Private Wealth Management España, S.A. and also a Director of Rancho los Catorce and Ayacucho. During Mr. Fraga Pena's career he has held such positions as: Secretariat of Energy, Mines and Industry, Parastatal, Subsecretariat of Industry, Parastatal Transformation; Legal adviser in primary issues for the Subsecretariat, Chamber of Deputies of Honourable Congress of the Union LIII Legislature; Advisor to the Federal Commission of Electricity.	
	Number of Stock Options Granted / **Exercise Price** / **Expiry** 300,000 / $0.10 / November 18, 2018	
Dustin VanDoorselaere		
 Chihuahua, Mexico Vice President, Operations (1)	1,171,044	550,000
	Principal Occupation for the Past Five Years: Mr. VanDoorselaere was appointed Projects Manager effective May 25, 2011. Effective November 1, 2012 Dustin VanDoorselaere was appointed Vice President, Operations. Prior to joining the Company he worked as a Technical Services Manager with AuRico Gold Inc. at both its El Cubo and Ocampo operations in Mexico, as Mining Manager at Red Back Mining Inc.'s Akwaaba Deeps underground mine in Ghana, and has had operations and engineering roles in open pit and underground mines in both Australia and Canada for Norilsk Nickel Mining and Metallurgical Co., Inco Ltd., Placer Dome Canada Ltd., Orica Canada Ltd. and Consbec Inc. Mr. VanDoorselaere holds a Mining Engineering and Biology degree from Laurentian University.	
	Number of Stock Options Granted / **Exercise Price** / **Expiry** 200,000 / $1.40 / June 15, 2016 150,000 / $0.50 / June 27, 2017 200,000 / $0.10 / November 18, 2018	
	Notes: (1) Mr. Vandoorselaere was appointed Projects Manager effective May 25, 2011. Effective November 1, 2012 Mr. Vandoorselaere was appointed Vice President, Operations.	

<table>
<tr><th>Name of Director/Officer</th><th>Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed</th><th>Number of Options Held</th></tr>
<tr><td colspan="3">Michael Clark</td></tr>
<tr><td rowspan="3"> 
British Columbia, Canada
Chief Financial Officer (1)
& Corporate Secretary (2)</td><td>Nil</td><td>600,000</td></tr>
<tr><td colspan="2">Principal Occupation for the Past Five Years: Mr. Clark has been the Company's Controller and Treasurer from May 1, 2010 to November 13, 2012 whereby he was appointed as the Company's Chief Financial Officer. Prior to joining the Company he served as the interim Chief Financial Officer for publically-listed mining companies managed by Grosso Group Management including: Golden Arrow Resources, Golden Alliance Resources, Iron South Mining Corp. (formerly Panthera Exploration), Kobex Minerals (formerly IMA Exploration) and Blue Sky Uranium. These companies focused primarily on exploration properties in Argentina and Peru. Mr. Clark articled with Mackay LLP Chartered Accountants where he obtained the Chartered Accountant designation.
<table>
<tr><th>Number of Stock Options Granted</th><th>Exercise Price</th><th>Expiry</th></tr>
<tr><td>200,000</td><td>$1.00</td><td>May 18, 2014</td></tr>
<tr><td>40,000</td><td>$1.25</td><td>January 31, 2015</td></tr>
<tr><td>85,000</td><td>$1.40</td><td>June 15, 2016</td></tr>
<tr><td>125,000</td><td>$0.25</td><td>April 2, 2018</td></tr>
<tr><td>150,000</td><td>$0.10</td><td>November 18, 2018</td></tr>
</table>
<u>Notes:</u>

(1) Mr. Clark was the Company's Controller and Treasurer from May 1, 2010 until November 13, 2012 whereby he was appointed the Company's Chief Financial Officer to replace Mr. John J. Sutherland.
(2) Mr. Clark was appointed the Company's Corporate Secretary on July 11, 2013 replacing Brigitte M. McArthur.</td></tr>
</table>

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) As of May 7, 2014, the current directors and officers of the Company, nine (9) in the aggregate, beneficially owned, controlled or directed, directly or indirectly, an aggregate of 18,758,896 Common Shares (excluding stock options granted) or approximately 13.75% of the Common Shares issued and outstanding. To the knowledge of the Company there are no common share owned directly or indirectly by the Nominee Directors.

(3) The Audit Committee shall meet four times annually, or more frequently as circumstances dictate. The Audit Committee was comprised of Donald R. Siemens (Chairman), Corry J. Silbernagel and Javier Reyes for the year ended December 31, 2013. Mr. Lenard Boggio was the Chairman of the Audit Committee until June 11, 2013 at which time he did not stand for re-election as a Director. Mr. Chester Millar was a member of the Audit Committee until June 11, 2013 at which time he did not stand for re-election as a Director.

(4) The Compensation Committee will meet as often as the Chair shall determine to be necessary or appropriate. The Compensation Committee was comprised of Corry J. Silbernagel (Chairman), Donald R. Siemens and Javier Reyes for the year ended December 31, 2013. Mr. Lenard Boggio was a member of the Compensation Committee until June 11, 2013 at which time he did not stand for re-election as a Director. Dr. Hans von Michaelis was a member of the Compensation Committee until June 26, 2013.

(5) The Governance & Nominating Committee will meet as often as the Chair shall determine to be necessary or appropriate. The Governance & Nominating Committee was comprised of Donald R. Siemens (Chairman), Corry J. Silbernagel and Enrique A. Peralta for the year ended December 31, 2013. Mr. Lenard Boggio was a member of the Governance & Nominating Committee until June 11, 2013 at which time Mr. Boggio did not stand for re-election as a Director.

(6) The Special Committee was dissolved on June 26, 2013 as the Board of Directors concluded that the Special Committee was no longer required.

(7) The Strategic Committee was formed on November 14, 2013. The Stategic Committee was comprised of Messrs. Siemens (Chair), Silbernagel and Sedun for the year ended December 31, 2013. The As of the date of this Annual Information Form the Committee has not met.

1.13 DIRECTORS AND OFFICERS BACKGROUND

Please refer to Item 1.12 above for the background of each of the directors and officers of the Company.

1.14 BOARD COMMITTEES

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

The Audit Committee is currently comprised of Messrs. Siemens (Chair), Silbernagel and Reyes. 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. Siemens (Chair), Silbernagel and Peralta. 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), Siemens and Reyes. 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 was dissolved on June 26, 2013 as the Board of Directors concluded that the Special Committee was no longer required.

The Strategic Committee was formed on November 14, 2013. The Stategic Committee was comprised of Messrs. Siemens (Chair), Silbernagel and Sedun for the year ended December 31, 2013. The As of the date of this Annual Information Form the Committee has not met. 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.

1.15 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 ws 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 disclosed herein, 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 the 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;
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;
c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
d) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

1.16 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, 2013.

The former Executive Chairman, Interim President and Chief Executive Officer of the Company was the President, Chairman and Chief Executive Officer of Uracan Resources Ltd. ("Uracan"). The companies shared common office premises and entered into a cost sharing arrangement, effective February 1, 2007 to January 25, 2013. The Company terminated the Agreement with Uracan there are no outstanding agreements in place.

PROMOTERS

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

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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.

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

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

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

Subsequent to December 31, 2013

On January 14, 2014, the Company announced that it had obtained an injunction against the 300 new shares purportedly issued by DynaResources de Mexico, S.A. de C.V. ("DynaMex") in favor of DynaResource, Inc. ("DynaUSA") from a Federal Judge of the Mexican Court. The injunction freezes the shares pending trial regarding DynaMex's issuance of the new shares. Before the new shares were purportedly issued, Goldgroup was a 50% shareholder in DynaMex, the company that owns the San Jose de Gracia high-grade gold project in Sinaloa, Mexico. DynaUSA was a 49% shareholder, and Koy Wilber Diepholz ("Diepholz"), DynaUSA's Chairman, Chief Executive Officer and Treasurer, held the remaining 1% interest.

On May 17, 2013 DynaMex held an extraordinary shareholders meeting (the "Meeting") without following the proper legal process or providing the correct notification to Goldgroup. The Meeting was, apparently, attended by representatives of DynaUSA. Goldgroup did not attend as it was not properly notified of the Meeting. In the Meeting, DynaUSA and Diepholz purported to approve the financial statements for the year ended December 31, 2012, which included unaudited accounts payable amounts which were to the benefit of DynaUSA and were never approved by Goldgroup. In the Meeting, DynaUSA and Diepholz purported to increase DynaMex's equity by means of capitalization of the aforementioned accounts payable and purported to issue 300 new shares of DynaMex in favor of DynaUSA.

Goldgroup considers that such a meeting was in violation of a number of legal requirements, including but not limited to, the bylaws of DynaMex, the capitalization of debt (accounts payable) without the prior approval of the Financial Statements of the company and by voting such capitalization by a shareholder (DynaUSA) for its own benefit. Under Mexican Law, parties with a conflict of interest must abstain from voting in such a manner. As a result of such a capital increase, DynaUSA has attempted to dilute Goldgroup's ownership in DynaMex, purporting to become the owner of 80% of DynaMex.

Due to the foregoing, Goldgroup initiated, before the Mexican Federal authorities, a suit concerning the Meeting and, as a precautionary measure, requested that the Judge freeze the 300 shares issued to DynaUSA. On December 13, 2013, the Judge issued an injunction in order to maintain the status quo of DynaMex as it was before the Meeting (i.e. Goldgroup owning 50% of the shares of DynaMex) until the trial occurs. In order to freeze the shares, the Judge has requested that Goldgroup post a bond (the "Bond") which the Company is in the process of posting.

This injunction is part of a number of cases being brought by Goldgroup against Diepholz in the Mexican Courts, including the criminal action as previously announced in the October 28, 2013 Goldgroup News Release which can be found on SEDAR (www.sedar.com).

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 interest, direct or indirect in any 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, 2013. 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, 2013, 2012 and 2011

At December 31, 2013, trade and other accounts payable includes $71,424 (December 31, 2012 - $203,420; December 31, 2011 - $45,503) 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 estranged spouse of a director and former 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.

As at December 31, 2013, amounts owing from (to) Pabelini totalled $(77,150) (2012 - $49,144) 2011 - $(17,894). During the year ended December 31, 2013, the Company paid a total of $141,314 to Pabelini and a total of $160,091 during the year ended December 31, 2012 and December 31, 2011 a total of $153,639.

This fee 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.

In addition to Pabelini, a number of expatriate workers and Caballo Blanco employees, including the Company's director and former CEO, are employed by MINOP, S.A. de C.V. ("Minop"). Minop is a private company controlled by the step-son of the a director and former 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.

During the year ended December 31, 2013 this fee totaled $35,232 (2012 - $62,075; December 31, 2011 - $79,333). This fee is meant to reimburse Minop for administrative costs incurred by the company in providing these services.

December 31, 2013, amounts owing to (from) Minop totalled $80,043 (2012 - $397,510 – this included employment severance accrual in the amount of $275,000) and 2011 - $27,261.

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

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".

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.

INTERESTS OF EXPERTS

1.17 NAME OF EXPERTS

The audited consolidated financial statements of the Company for the period ended December 31, 2013 have been audited by Grant Thornton LLP, Chartered Accountants, of Suite 1600, Grant Thornton Place, 333 Seymour Street, Vancouver, B.C., Canada, 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 and effective September 5, 2011 was prepared by J. Cuttle, P. Geo., and G. Giroux, P. Eng. of Giroux Consultants Ltd.

The Cerro Colorado Technical Report dated May 14, 2012 and effective February 29, 2012 was prepared by Marc Simpson, P. Geo. and co-authored by Gary Giroux, MASc., P.Eng of Giroux Consultants Ltd. and Fernando Rodrigues BSc, MBA, MAusIMM, MMSAQP of SRK Consulting (U.S.) Ltd.

The Preliminary Economic Assessment" ("PEA") dated May 7, 2012 was prepared by KD Engineering of Tucson, Arizona, U.S.A.

The Cerro Prieto Project Technical Report dated June 10, 2013 was prepared by G. Giroux, P. Eng. of Giroux Consultants Ltd. and D. Bain, Ph.D., P.Geo. of Duncan Bain Consulting Ltd.

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, Former Vice President Exploration was Goldgroup's qualified person.

1.18 INTERESTS OF EXPERTS

As at March 31, 2014, to the best of the Company's knowledge, Marc Simpson, Jim Cuttle, Gary Giroux, Fernando Rodrigues, Giroux Consultants Ltd., SRK Consulting (U.S.) Ltd., KD Engineering or Duncan Bain Consulting Ltd. and their designated professionals, does not presently own nor has previously owned, at any time, beneficially, directly or indirectly any securities of the Company.

Grant Thornton LLP are the auditors of the Company and have performed the audit in respect of the annual financial statements of the Company for the financial year ended December 31, 2013. Grant Thornton LLP are independent of the Company in accordance with the rules of professional conduct of the Institute of Chartered Accountants of British Columbia.

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.

1.19 COMPOSITION OF THE AUDIT COMMITTEE

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

Name	Corporate Position	Independent	Financially Literate
Donald R. Siemens	Director	Yes	Yes
Corry J. Silbernagel	Director	Yes	Yes
Javier Reyes	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:

1.20 NAME OF AUDIT COMMITTEE MEMBER, RELEVANT EXPERIENCE AND QUALIFICATIONS

Composition, Name of Audit Committee Member, Relevant Experience and Qualifications
During the Year Ended December 31, 2013

Audit Committee Member	Relevant Experience and Qualifications [1] [2]
Donald R. Siemens [3] Independent Member of the Board of Directors Financially Literate	Mr. Siemens became a director of Goldgroup in June 2013. Currently, as an independent financial advisor, Mr. Siemens specializes in Corporate Finance, cross-border transactions and Mergers & Acquisitions. Mr. Siemens brings over 30 years of experience to the board as a Chartered Accountant, including 8 years in public practice as a partner with major accounting firms, 8 years in senior executive positions in the industry and 18 years as a self- employed Financial Services executive. He currently serves as a director and Audit Committee Chair for three public companies: He currently also serves as a director and Audit Committee Chair for five other public companies: He is currently a Director and Audit Committee Chair or Argentex Mining Corporation, Boss Power Corp., Hansa Resources Limited, Nikos Explorations Ltd, and Spur Ventures Inc. He also serves as a Director and Audit Committee member of Great Western Minerals Group Inc. Previously, Mr. Siemens was Partner-in-Charge of Thorne Ernst & Whinney's (now KPMG) Vancouver office Financial Advisory Services group. Mr. Siemens obtained a Chartered Accountant designation in 1972, and a B.A. from University of British Columbia.
Corry J. Silbernagel Independent Member of the Board of Directors Financially Literate	Mr. Silbernagel became a director of Goldgroup in May 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.
Javier Reyes [4] Independent Member of the Board of Directors Financially Literate	Mr. Reyes became a director of Goldgroup in June 2013. Mr. Reyes is the Founder (2004), President and Chief Executive Officer of Antares Capital Management Ltd., a company that manages four hedge funds which are located in Tortola, British Virgin Islands. Mr. Reyes holds a Bachelor's Degree in Economics and Business Administration and also holds a Masters in Finance. He began his professional and financial services career in 1996 at a well-known brokerage firm in Mexico City. In 2001, he founded a financial consultancy company, where he became the CEO. Mr. Reyes is the founder, President and Chief Executive Officer of the Antares Capital Management and Cygnus Asset Management, and manages 3 hedge funds: Antares Capital Fund, Antares Oil & Gas Fund and Cygnus Real Estate Opportunity Fund. Mr. Reyes currently holds the following positions: President of Credipresto, S.A. de C.V. ENR. (since 2007)and President of Mex e Trade Asesores, S.C. (since 2004). Mr. Reyes has also held the following positions: Chief Executive Office of Mex e Trade On Line, S.C. (2001-2003); Financial Manager of Fabrica de Calzado Liz Ardel, S.A. (1998-2000); and Financial Advisor of Estrategia Bursatil, S.A. (1995-1997).

Notes:

1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company, which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.
2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth 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.
3) Mr. Siemens was appointed as a member and Chairman of the Audit Committee effective June 11, 2013.
4) Mr. Reyes was appointed as a member of the Audit Committee effective June 11, 2013.

1.21 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.

1.22 RELIANCE ON CERTAIN EXEMPTIONS

Since the commencement of 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 under Part 8 (Exemptions).

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

Since the commencement of 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 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.

1.23 AUDIT COMMITTEE OVERSIGHT

At no time since the commencement of 2013, 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.

1.24 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:

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.

1.25 EXTERNAL AUDITOR SERVICE FEES TAX FEES AND ALL OTHER FEES

Expressed C$	2013 Fee Amount	2012 Fee Amount	2011 Fee Amount
Audit Fees	$108,900	$120,207	$122,000
Audit Related Fees	$Nil	$39,000	$137,000
Tax Fees	$Nil	$Nil	$ 13,000
All Other Fees	$Nil	$70,440	Nil
Total:	**$108,900**	**$229,647**	**$272,000**

External Auditor Service Fees (By Category)

Audit Fees

During the financial year ended December 31, 2013, Grant Thornton LLP, the Company's external auditor (the "External Auditor") billed the Company C$108,900 for audit services (2011 - C$120,207 and 2011 - C$122,000).

Audit-Related Fees

During the financial year ended December 31, 2013, the External Auditor billed the Company C$Nil for other professional services performed (2012 - C$39,000 and 2011 – C$137,000).

Tax Fees

During the financial year ended December 31, 2013, there were no fees associated with an External Auditor for tax return preparation and advice related to tax compliance, tax advice and tax planning ("Tax Services"). Tax Fees incurred during 2011 in the amount of C$10,000 related to statutory tax filings in Mexico.

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 and 2010 – C$32,065 of which C$9,800 related to statutory tax filings in Mexico.

All Other Fees

During the financial year ended December 31, 2013 the Company was billed $Nil (2012 – C$70,440 and 2011 - $nil) in other fees which related to investigatory work undertaken for the Company, the External Auditor did not bill the Company for any other professional services performed in connection with other services.

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, 2013 and 2012, and additional information relating to the Company is available on SEDAR, under the Company's profile, at www.sedar.com.

Additional information, including particulars of directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the 2013 Information Circular prepared in respect of the Company's most recent annual general meeting.

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.

      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 External Auditors – 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 pre-approval 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 management's 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 7th day of November, 2013
Reviewed by the Audit Committee on the 8th day of November, 2012
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 13th day of December, 2013
Approved by the Board of Directors on the 19th day of December, 2012
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