GOLDGROUP MINING INC. (formerly Sierra Minerals Inc.)
Management's Discussion and Analysis
For the three and nine months ended September 30, 2010

This Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Goldgroup Mining Inc. (formerly Sierra Minerals Inc.) ("Goldgroup", "Sierra" or the "Company") together with its subsidiaries as of November 11, 2010, and is intended to supplement and complement the Company's interim consolidated financial statements for the period ended September 30, 2010. Readers are cautioned that the MD&A contains forward-looking statements and that actual events may vary from management's expectations. Readers are encouraged to consult Sierra's audited consolidated financial statements and corresponding notes to the financial statements for the year ended December 31, 2009 for additional details as well as the related MD&A included in the 2009 Annual Report and the 2009 Annual Information Form. Goldgroup's public disclosures are available on SEDAR at www.sedar.com. The unaudited interim consolidated financial statements and MD&A are presented in thousands of United States ("US") dollars, except where noted, and have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). This discussion addresses matters we consider important for an understanding of our financial condition and results of operations as of and for the three and nine months ended September 30, 2010.

The MD&A contains forward-looking statements and should be read in conjunction with the risk factors described in "Risk Analysis" and the "Cautionary Statement on Forward-Looking Information" at the end of this MD&A.

All amounts in US dollars ("US$") unless otherwise stated.

TABLE OF CONTENTS

Outlook……………………………………………………………………2
Description of the Business………………………………………………3
Highlights…………………………………………………………………4
Developments during and subsequent to the quarter ended September 30, 2010………4
Overview of Financial Results……………………………………………7
Results of Mining Operations……………………………………………10
Operations Outlook………………………………………………………11
Gold Market………………………………………………………………12
Non-GAAP Financial Measures…………………………………………12
Liquidity and Capital Resources…………………………………………15
Outstanding Capital and Share Data……………………………………17
Selected Quarterly Information…………………………………………17
Transactions with Related Parties………………………………………18
Critical Accounting Policies and Estimates……………………………20
Financial Instruments and Other Instruments…………………………23
Risks and Uncertainties…………………………………………………23
Status of Goldgroup's Transition to International Financial Reporting Standards "IFRS"………29
Disclosure Controls and Procedures and Internal Controls Over Financial Reporting………34
Cautionary Statement on Forward-Looking Information………………35

Outlook
Goldgroup has cash and cash equivalents of approximately $13 million, is debt-free and unhedged, following the sale of the El Porvenir gold property on July 9, 2010.

Caballo Blanco
At the Caballo Blanco gold project in Veracruz, Mexico, the Company began a 30,000 meter drill program on October 5th. The 30,000 meter multi-drill program, using diamond and reverse circulation drilling, is designed to expand and upgrade the current NI 43-101-compliant mineral resource estimate at the La Paila anomaly and to test other highly prospective areas for mineralization, including other targets at the Northern Zone as well as targets at the Red Valley and Highway zones. The current estimated indicated mineral resource of 139,000 ounces of gold (6.7 million tonnes grading 0.65 grams per tonne gold ("g/t Au")) and inferred resource of 517,000 ounces of gold (27.6 million tonnes grading 0.58 g/t Au) covers only the La Paila area in the Northern Zone. It was compiled from 32 diamond drill holes totaling approximately 7,000 meters completed by Canadian Gold Hunter Corp. ("CGH") and NGEx Resources Ltd. ("NGEx"), prior to Goldgroup's acquisition of its 70% interest in the project in November 2009. The following initiatives are part of the exploration program at Caballo Blanco:

- Ground geophysics – a 63 km IP (induced polarization) survey-prospecting is in progress. It is expected to be completed by November 15, 2010.
- Geochemical analysis of surface chip samples is in progress.
- Metallurgical column leach testing, to optimize the indicated recovery, will start in the company's new on-site laboratory on November 10, 2010.
- Construction of underground adits for bulk sampling and to assess structural geology. The environmental impact statement for these adits has been submitted to the Mexican environmental authorities for approval.
- An environmental impact study, including the environmental baseline and impact statement, the socio-economical study and a risk analysis, is currently in progress.

Although initial mining at the Caballo Blanco is expected to be by open pit with the use of large equipment for a low operating cost, the Company also expects to begin tunnelling, in first quarter 2011, into the existing totally oxidized NI 43-101 mineral resource at La Paila, taking bulk samples for metallurgical test work and also to check for high grade feeder zones normally associated with this type of prolific high sulphidation mineralization. Over the past five months the Company has expanded its concessions areas and will be shortly conducting a large ground resistivity program.

DynaMexico - San José de Gracia
At San José de Gracia ("SJG") the Company announced the assay results from the remaining 41 drill holes of the 62-hole, 15,600 meter drill program completed during the second quarter. The results of this 62-hole program included many assays exceeding the 2 g/t Au cutoff. One hole, SJG-10-179, intercepted 101.51 g/t Au over 1.72 meters. On September 27, 2010 the Company commenced a new multi-drill 18,500 meter diamond drilling program on SJG. This will form the bulk of the $5.5 million required to be advanced prior to March 15, 2011 for the Company to increase its equity interest in this project to 50%. This drilling is designed to infill prior drilling on the San Pablo, Tres Amigos, La Union and Purisima shoots to better define the resource for mining and also to test other geochemical targets to increase the overall resource sufficient to sustain a 100,000 oz gold annual production. It is intended that a NI 43-101 report will be prepared after the completion of this current 18,500 meter drill program.

Cerro Colorado (Operating Mine)
At the Cerro Colorado gold mine the Company expects to produce approximately 20,000 to 22,000 ounces of gold in 2010.

Since the RTO, Goldgroup has completed an overall review of the mining operations and has implemented:

- Increased waste removal to open a new higher grade ore zone. This is nearing completion and as a result has considerably increased the operating costs during this three month period. The stripping ratio for 2011 is expected to revert to approximately 1:1, which will reduce the mining cost per ton of ore basis.
- Brought in the primary/secondary crushing system to an average daily throughput of over 5,000 tonnes per day.
- Implemented a cost reduction program.
- Hired a new maintenance manager, which has resulted in improved reliability of our fleet of equipment and provides the means to make the operations more efficient.
- With the addition of two key staff members and the commissioning of a new mine model, which is currently under review, the operation production capabilities should improve for the balance of 2010 and in 2011.
- Exploration drilling is in progress in areas immediately adjacent to and also near distant to the Cerro Colorado mine site to enhance the mineralization available for production at this facility.

During the quarter ended September 30, 2010, Mike Carter took over as the new Mine Operations Manager in place of the former Vice President of Operations, Philip Davies who resigned on August 19, 2010. In addition, a new Mining Manager was put in charge of pit development.

Description of the Business
The Company is a precious metals producer and is focused on acquisition, exploration and development of advanced stage gold-bearing mineral properties in the Americas. Goldgroup's current gold production and exploration and development related activities are conducted exclusively in Mexico. Gold is produced in doré in Mexico and then shipped to refiners in the United States for final processing prior to sale. As a result of the completion of a business combination with Goldgroup Holdings Corp. ("Holdings") on April 30, 2010, the Company has expanded its portfolio of mineral resource properties. For further information on the business combination, see "Developments during and subsequent to the period ended September 30, 2010". For more detailed information on the Company's mineral resource properties, please see the joint management information circular of the Company and Holdings dated March 25, 2010, available on SEDAR at www.sedar.com.

The business combination has been defined as a reverse take-over ("RTO") of Sierra by Holdings effective April 30, 2010. The effect is that the continuing company's consolidated financial statements and comparative financial statement information is that of Holdings. The preliminary purchase price allocation has been prepared by management utilizing management's best estimates after taking into account all relevant information available at the time of the RTO. The Consolidated Statements of Operations and Cash Flows for the periods ended September 30, 2010, take into account only the effects of metal sales and the results of mine operations from May 1, 2010 onwards.

The profitability and operating cash flow of the Company is affected by various factors, including the amount of gold produced and sold, the market price of gold, operating costs, interest rates, regulatory and environmental compliance, general and administrative costs, the level of exploration and

development expenditures and other discretionary costs. Goldgroup is also exposed to fluctuations in foreign currency exchange rates that can materially impact profitability and cash flow. The majority of the Company's assets are located in Mexico and are subject to foreign investment risk, including increases in various levels of taxation and royalties, renegotiation of contracts, property title risk and political uncertainty. While Goldgroup seeks to manage the level of risk associated with its business, many of the factors affecting these risks are beyond the Company's control.

Highlights

Consolidated Financial and Operating Highlights	Three months ended June 30,		Nine months ended September 30,	
	2010	2009[(a)]	**2010**[(a)]	2009[(a)]
Gold ounces – produced [(a)]	**4,048**	-	**8,342**	-
Gold ounces – sold [(a)]	**4,303**	-	**8,687**	-
Metal sales	**$5,317**	$-	**$10,689**	$-
Cost of sales [(b)]	**$5,217**	$-	**$9,674**	$-
Accretion, depreciation, depletion and amortization	**$47**	$12	**$1,317**	$29
Mine operating earnings (loss)	**$53**	$-	**$(301)**	$-
Net loss	**$(3,282)**	$(461)	**$(6,942)**	$(1,625)
Basic and fully diluted loss per share	**$(0.04)**	$(0.01)	**$(0.09)**	$(0.03)
Cash flow consumed by operating activities, before changes in non-cash operating working capital	**$(3,255)**	$(380)	**$(4,561)**	$(1,432)
Average realized gold price per ounce sold [(a)]	**$1,237**	$-	**$1,174**	$-
Cost of sales per ounce sold [(c)]	**$1,222**	$-	**$1,056**	$-

(a) Results presented are for the full periods. Due to treatment of the business combination with Holdings (see below) as a RTO which closed on April 30, 2010, only the results from May 1, 2010 to September 30, 2010 are applicable to the financial results of Goldgroup Mining Inc. Comparability of production and mining operations financial results between 2009 and 2010 is limited as the Cerro Colorado mine results are only included from May 1, 2010 onward.

(b) Cost of sales excludes accretion, depreciation, depletion and amortization.

(c) Cost of sales per ounce sold for the nine months ended September 2010 includes a reduction for the non-cash fair value adjustment to inventory for $429 and the silver by-product credit of $69. Cost of sales per ounce sold for the three months ended September 30, 2010 includes an increase for the non-cash fair value adjustment to inventory for $61 and the silver by-product credit of $20. See "Non-GAAP Financial Measures".

Developments during and subsequent to the period ended September 30, 2010

Business Combination with Holdings

On January 29, 2010, the Company and Holdings, a privately-held British Columbia company, entered into a binding Letter Agreement with respect to a proposed business combination. On February 23, 2010, the Company and Holdings signed a Definitive Agreement (the "Agreement") with respect to the proposed transaction.

On April 30, 2010, the Company changed its name from Sierra Minerals Inc. to Goldgroup Mining Inc. and consolidated its shares on a basis of one (new) for 2.85 (old). In addition, on April 30, 2010 the Company completed the business combination with Holdings, which was amalgamated with a wholly-owned subsidiary of Sierra pursuant to a statutory plan of arrangement under the Business Corporations Act (British Columbia) and resulted in the issuance of 51,942,637 common shares of the Company to the shareholders of Holdings. The number of shares recorded as issued in connection with the RTO was calculated based on the number of Holdings' common shares that would have been issued in order to provide the same percentage of ownership to the shareholders of Goldgroup Mining (33,009,779 shares). Following completion of the transaction, the Company had 84,952,432 shares outstanding, 61.1% of which were owned by former Holdings shareholders and 38.9% by former Sierra shareholders on an undiluted basis. The transaction has been accounted for as a RTO.

On May 7, 2010, Goldgroup Mining Inc. began trading on the Toronto Stock Exchange under its new symbol “GGA”.

Corporate Developments

On April 30, 2010, in connection with the completion of the business combination, the following changes were made to the Board of Directors and management:

Board of Directors – Donald Goldman, David Ingram and Bill Cavalluzzo resigned as directors of the Company and Gregg J. Sedun, Corry Silbernagel and Dr. Hans von Michaelis joined the board as new directors, each of whom had been directors of Goldgroup Holdings.

Management – Michael H. Farrant ceased to be Chief Executive Officer but continued to be President of the Company. Keith Piggott was appointed Chief Executive Officer. Gregg J. Sedun was appointed Executive Chairman. Philip Davies ceased to be Chief Operating Officer and was appointed Vice President, Mining Operations. Kevin Sullivan was appointed Vice President, Exploration. John Sutherland was appointed as Vice President. Following the completion of the filing of the first quarter 2010 financial statements and MD&A, Andrés Tinajero ceased to be the Chief Financial Officer of the Company and was replaced by John Sutherland on May 17, 2010.

On June 30, 2010, in connection with the annual meeting of the Company’s shareholders, the following further changes were made to the Board of Directors and management:

Board of Directors – Julian Kemp did not stand for re-election. Robert Byford and Francisco (“Paco”) Escandon were elected directors of the Company. The Board also struck a Governance and Nominating Committee, Compensation Committee and Strategic Committee in addition to the Audit Committee.

Management – John Sutherland was also appointed Corporate Secretary replacing James P. Boyle.

Auditors – Grant Thornton LLP replaced BDO Canada LLP as auditors of the Company.

On August 19, 2010 Philip Davies resigned as Vice-President, Mining Operations. On September 30, 2010 Michael Farrant resigned as President of the Company.

During the period April 16, 2010 to May 6, 2010, Goldgroup Resources purchased 1,250,000 pre-consolidated shares of Sierra on the open market at an average price of C$0.36 per share (C$1.03 post-consolidated). These 438,596 post-consolidated shares have not been formally cancelled back in treasury, however, they have been treated as a reduction of the Company’s outstanding common shares (see “Outstanding Capital and Share Data”).

Sale of the El Porvenir Gold Project

On July 9, 2010, the Company sold its 100% interest in the assets comprising the El Porvenir gold project in Aguascalientes, Mexico to the Frisco Group for $25 million. The Company simultaneously paid $1.7 million to discharge a royalty interest on the property held by a third party to net $23.3 million in sale proceeds on the transaction. The taxes on the sale of El Porvenir are estimated to be $2,574 of which $2,000 were paid to the Mexican tax authorities during the third quarter. On July 15, 2010, the Company used part of the sale proceeds to repay in full, the $3.25 million bridge loan. The remainder of the proceeds are being used to fund exploration and development at the Company’s flagship Caballo Blanco gold property and complete the 50% earn-in on the high-grade San José de Gracia gold project in Sinaloa, Mexico.

Impairment of Goodwill

The preliminary purchase price allocation for the Sierra RTO was based on management’s best estimates and assumptions after taking into account all relevant information at the time. The purchase price

allocation resulted in $16,673 being attributed to goodwill. The Company allocated its goodwill to the Cerro Colorado mine as it was the only reporting unit. The net asset value of the Cerro Colorado mine consists of plant and equipment and mining properties. The plant and equipment were valued by management. The mining properties were valued using the discounted cash flow of proven and probable reserves, measured, indicated and inferred resources. The Company has determined that it cannot support the carrying value of this goodwill as at September 30, 2010 and the Company has recorded a goodwill impairment charge of $16,673.

The Company will finalize the purchase price allocation in 2010 and its finalization may result in adjustments to the preliminary estimate of purchase date fair values and the identification of other intangibles and these differences may be material.

Cerro Colorado Gold Mine - Production Expansion and Operations Developments

The Company forecasts 2010 annual production at the Cerro Colorado gold mine at approximately 20,000 – 22,000 ounces of gold. A summary of key mining statistics for the three months ended September 30, 2010 is as follows:

- Production of 4,048 ounces of gold for Q3 2010 compared to 5,162 during Q3 2009.
- Average grade mined in Q3 2010 was 0.53 g/t Au compared to 0.57 g/t Au in Q2 2009.
- Tonnes mined increased 10% to 1.490 million in Q3 2010 compared to 1.355 million in Q3 2009.
- On a non-RTO basis the cash cost per ounce of gold sold for the nine months ended September 30, 2010 was $926 compared to $592 in the same period for 2009. The high cash cost per ounce was a result of increased waste stripping required in the first nine months of this year to gain access to a new higher grade zone. Also, the new crushing system was installed during Q3 which has begun to enhance recovery going forward. (see "Non-GAAP Financial Measures" and "Results of Mining Operations" for further discussion).

(Note that only production results from May 1, 2010 forward are included in the September 30, 2010 financial results. The results above are actual results for the periods discussed.)

Caballo Blanco - Multi Phase Exploration and Drilling Program (70% earn-in interest)

In the current 30,000 meter drill program, which commenced on October 5, 2010, the company has to date completed seven reverse circulation and one diamond drill hole for a total depth of 1,734 meters at La Paila and several other targets Several holes have significant intercepts of "vuggy silica" which partially hosts the gold mineralization at La Paila. Assay results are pending.

DynaMexico: San José de Gracia - Exploration Drill Program (25% equity interest)

During the quarter ended September 30, 2010, the company announced the results of the remaining 41 drill holes (SJG-10-148 to 188) from the 15,600 meter diamond drilling program completed during the second quarter. The highlights from this drilling include:

- Drill hole SJG-10-150 encountered 19.93 g/t Au over 2.88m from 285.61m to 288.49m.
  and 11.77 g/t Au over 2.38m from 319.43m to 321.81m.
- Drill hole SJG-10-151 encountered 22.19 g/t Au over 7.82m from 208.38m to 216.20m.
- Drill hole SJG-10-154 encountered 21.89 g/t Au over 1.75m from 73.00m to 74.75m.
- Drill hole SJG-10-177 encountered 19.80 g/t Au over 5.27m from 228.63m to 233.90m.
  and 12.47 g/t Au over 5.48m from 239.52m to 245.00m.
- Drill hole SJG-10-179 encountered 105.51 g/t Au over 1.72m from 75.30m to 77.02m.
- Drill hole SJG-10-186 encountered 14.73 g/t Au over 1.35m from 92.10m to 93.45m.

The bulk of this drilling was located in the Tres Amigos vein system and has added considerably to the understanding of this complex structural setting. The vein system itself remains open down dip to the west and along strike to the northeast with multiple mineralized veins encountered during the drilling. Further drill holes are planned in the area during the fourth quarter to define the limits of the system and infill where information is lacking.

In late September of 2010 the company commenced an 18,500 meter drill program employing two diamond drill rigs. This program is designed to extend the limits of the known mineralization and raise some of the previously reported inferred resources to the indicated category.

Overview of Financial Results

Three and nine months ended September 30, 2010 versus September 30, 2009

Financial Highlights

Production and mining operations financial results between 2009 and 2010 is limited as the Cerro Colorado mine results are only included from May 1, 2010 to September 30, 2010.

(expressed in 000's)	**Three months ended September 30,**		**Nine months ended September 30,**	
	2010[b]	2009[b]	**2010**[b]	2009[b]
Metal sales	**$5,317**	$ -	**$10,689**	$ -
Cost of sales [a]	**5,217**	-	**9,674**	-
Depreciation, depletion and amortization	**36**	-	**1,295**	-
Accretion	**11**	-	**22**	-
Mine operating earnings (loss)	**53**	-	**(301)**	-
General and administrative	**1,446**	377	**2,886**	1,170
Transaction costs	**-**	-	**395**	-
Exploration	**28**	-	**40**	-
Amortization	**12**	10	**34**	29
Stock-based compensation	**347**	-	**834**	4
Foreign exchange loss (gain)	**187**	113	**(43)**	294
Write-off of inventory and equipment	**530**	-	**530**	-
Gain on sale of El Porvenir	**(17,158)**	-	**(17,158)**	-
Impairment of goodwill	**16,673**	-	**16,673**	-
Equity in loss of DynaMexico	**11**	(15)	**71**	45
Interest and other	**20**	(3)	**94**	(32)
Loss on sale of investment	**-**	-	**130**	-
Financing fees	**-**	-	**119**	-
Income tax expense – current	**2,574**	-	**2,574**	-
Income tax expense (recovery) – future	**(1,336)**	37	**(540)**	115
Net loss	**$(3,282)**	$(523)	**$(6,942)**	$(1,625)
Loss per share – basic and diluted	**$(0.04)**	$(0.01)	**$(0.09)**	$(0.03)

(a) Cost of sales excludes accretion, depreciation, depletion and amortization.

(b) Comparability of production and mining operations financial results between 2009 and 2010 is limited as the Cerro Colorado mine results are only included from May 1, 2010 onwards.

Third quarter 2010 vs. third quarter 2009

- During the third quarter of 2010, the Cerro Colorado gold mine produced 4,048 ounces of gold compared to 5,162 during the comparative period of 2009.
- Gold sales during the third quarter of 2010 were 4,303 ounces at an average gold price of $1,237 per ounce compared to 5,611 ounces at an average gold price of $954 per ounce during the third quarter of 2009. As a result of the RTO accounting, metal sales revenue during the quarter ended September 30, 2010 was $5,317 compared to $nil during the third quarter of 2009.
- The mine experienced operating earnings of $53 for the quarter ended September 30, 2010 compared to $nil during the same period of 2009, as a result of the RTO.
- Overall, the Company recorded a net loss of $3,282 or $0.04 loss per share for the quarter ended September 30, 2010 compared to $523 or $0.01 loss per share for the third quarter ended September 30, 2009.
- Cost of sales of $5,217 represented cash operating costs at the Cerro Colorado gold mine for the period July 1st to September 30, 2010 or $1,070 per ounce of gold sold including silver by-product credits of $5 per ounce, compared to $nil or $nil per ounce of gold sold for the same period in 2009 as a result of the RTO.
- Depreciation, depletion and amortization of $36 during the three months ended September 30, 2010 resulted primarily from fair values allocated to the Cerro Colorado mine, as result of the RTO, plant and equipment associated with the Cerro Colorado gold mine and amortization of the mining property and acquisition costs compared with $Nil during the third quarter of 2009. The depletion amount was considerably lower in the 2010 third quarter compared to the quarter ended June 30, 2010 as a result of the Company revising the purchase price allocation which had a significant change in the fair value allocated to the mineral property and thus resulting in a much lower depletion amount in third quarter. The majority of the depreciation expense is calculated on a unit-of-production basis.
- General and administrative costs were $1,446 for the quarter ended September 30, 2010 compared to $1,170 during the third quarter ended September 30, 2009. The increase is principally due to an increase in the activity and fees associated with the Company being publicly listed. Also included are severance costs totalling $502 relating to the departure of the former President and the Vice President, Mining Operations.
- Stock-based compensation for the three months ended September 30, 2010 was $347 compared to $4 in the third quarter of 2009. This resulted entirely from recognition of part of the fair value of options granted during 2009 and 2010.
- The Company incurred a foreign exchange loss of $187 during the quarter ended September 30, 2010 compared to $113 during the same period in 2009. The Q3 2010 loss is mainly the result of the revaluation of the Mexican tax liability.
- The Company reviewed its inventory and equipment during the third quarter ended September 30, 2010 and as a result wrote off inventory and equipment for $291 and $239, respectively. There were no write downs in the comparable quarter for 2009.
- During the quarter ended September 30, 2010 the Company sold its El Porvenir property for $25 million, less paying out a royalty of $1.7 million and less the capitalized mineral property expenditure to date of $6,142 resulting in a gain of $17,158.
- On September 30, 2010, the Company recorded an impairment to goodwill in the amount of $16,673. The goodwill was attributed from the preliminary purchase price allocation from the Sierra RTO on April 30, 2010.
- Current income tax expense was $2,574 during the third quarter of 2010 which related to the gain on sale of El Porvenir. A future income recovery $1,336 was recorded during the third quarter ended September 30, 2010 compared to an income expense of $37 in the September 30, 2009 period.

First nine months 2010 vs. first nine months 2009

- During the nine months of 2010, the Cerro Colorado gold mine produced 15,837 ounces of gold compared to 15,208 during the comparative period of 2009, an increase of 4%.
- Gold sales during the first nine months of 2010 were 16,221 ounces at an average gold price of $1,174 per ounce compared to 15,585 ounces at an average gold price of $930 per ounce during the first half of 2009.
- Metal sales revenue during the nine months ended September 30, 2010 was $10,689 compared to $nil during the first half of 2009, due to the RTO.
- The mine experienced an operating loss of $301 for the nine months ended September 30, 2010 (May 1, 2010 to September 30 2010) compared to $nil during the same period of 2009, as a result of the RTO.
- Overall, the Company recorded a net loss of $6,942 or $(0.09) per share for the nine months ended September 30, 2010 compared to $1,625 or $(0.03) per share for the nine months ended September 30, 2009.
- Cost of sales of $9,674 represented cash operating costs at the Cerro Colorado gold mine for May 1, 2010 to September 30, 2010 or $1,056 per ounce of gold sold including silver by-product credits of $8 per ounce, compared to $nil or $nil per ounce of gold sold for the same period in 2009, due to the RTO.
- Depreciation, depletion and amortization of $1,295 during the nine months ended September 30, 2010 resulted primarily from fair values allocated to the Cerro Colorado mine, as result of the RTO, plant and equipment associated with the Cerro Colorado gold mine and amortization of the mining property and acquisition costs compared with $Nil during the first half of 2009. The majority of the depreciation expense is calculated on a unit-of-production basis.
- General and administrative costs were $2,886 for the nine months ended September 30, 2010 compared to $1,170 during the nine months ended September 30, 2009. The increase is principally due to an increase in the activity and fees associated with the Company being publicly listed. Also included are severance costs totalling $502 relating to the departure of the former President and the Vice President, Mining Operations.
- Stock-based compensation for the nine months ended September 30, 2010 was $834 compared to $4 for the comparable period in 2009. This resulted entirely from recognition of part of the fair value of options granted during 2009 and 2010.
- The Company reviewed its inventory and equipment during the third quarter ended September 30, 2010 and as a result wrote off inventory and equipment for $291 and $239, respectively. There were no write downs in 2009.
- During the nine months ended September 30, 2010 the Company sold its El Porvenir property for $25 million, less paying out a royalty of $1.7 million and less the capitalized mineral property expenditures of $6,142 to date resulting in a gain of $17,158.
- On September 30, 2010, the Company recorded an impairment to goodwill in the amount of $16,673. The goodwill resulted from the purchase price allocation from the Sierra RTO on April 30, 2010.
- Current income tax expense was $2,574 during the nine months ended September 30, 2010 which related to the gain on sale of El Porvenir. A future income recovery of $538 was recorded during the nine months ended September 30, 2010 compared to an income expense of $115 during the nine months ended September 30, 2009.

Results of Mining Operations

Three and nine months ended September 30, 2010 versus September 30, 2009
Cerro Colorado Gold Mine (100% ownership)

Operating Statistics [a]	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	**2010**	2009
Tonnes mined	**1,490,428**	1,355,452	**4,229,104**	3,648,402
Waste	**1,026,709**	870,675	**2,984,512**	2,175,562
Ore	**463,719**	484,777	**1,244,592**	1,472,840
Grade (g/t Au)	**0.53**	0.57	**0.57**	0.65
Gold ounces mined	**7,852**	8,982	**22,986**	30,158
Gold ounces – produced	**4,048**	5,162	**15,837**	15,208
Gold ounces – sold	**4,303**	5,611	**16,221**	15,585
Operating Financial Data [a]				
Mine operating income (loss)	**$53**	$nil	**$(301)**	$nil
Plant and equipment	**$449**	$nil	**$720**	$nil

(a) Operating statistics are for the full periods referenced. Due to the RTO, Operating Financial Data is for the months of May 1st, 2010 onwards, being the period following the RTO.

Three months ended September 30, 2010 versus September 30, 2009

- The Company mined 1,490,428 tonnes during the three months ended September 30, 2010 of which 463,719 tonnes of ore having an average grade of 0.53 g/t Au were mined compared to 1,355,452 tonnes mined during the three months ended September 30, 2009 of which 484,777 tonnes of ore, having an average grade of 0.57 g/t Au were mined. Overall, tonnes mined for the period increased 10% over the prior year period, primarily due to increased haulage capacity attributable to a slightly larger mining fleet compared to the same period last year.
- Production for the quarter ended September 30, 2010 was 4,048 ounces compared to 5,162 during the quarter ended September 30, 2009. This 22% decrease in production was a result of the Company removing a backlog of waste that was preventing proper pit development.
- Gold sales for the quarter ended September 30, 2010 were 4,303 ounces at an average realized price of $1,237 per ounce compared to 5,611 ounces sold at an average realized price of $954 for the quarter ended September 30, 2009.
- Operating costs for the quarter ended September 30, 2010 were $5,217 or $1,222 per ounce of gold sold including silver by-product credits of $5 per ounce, compared to $4,249 or $757 per ounce of gold sold for quarter ended September 30, 2009, before silver by-product credits of $4 per ounce. This represents an increase of $465 per ounce over the third quarter of 2009. The cost per ounce was higher during the quarter mainly due to the removal of waste to allow for proper pit development access to a higher grade ore zone. Costs rose as increased diesel consumption, maintenance on equipment for the larger fleet of equipment and higher processing costs, which is mainly increased cyanide consumption as the mine continued leaching the old leach pad in addition to the new leach pad.
- Capital expenditures during the quarter ended September 30, 2010 were $449 compared to $273 during the same period in 2009 on an RTO basis. During the third quarter of 2010, the majority of capital expenditures related the purchase of a new drill at the mine site.

Nine months ended September 30, 2010 versus September 30, 2009

- The Company mined 4,229,104 tonnes during the nine months ended September 30, 2010 of which 1,244,592 tonnes of ore having an average grade of 0.57 g/t Au were mined compared to 3,648,402 tonnes mined during the nine months ended September 30, 2009 of which 1,472,840 tonnes of ore, having an average grade of 0.65 g/t Au were placed on the leach pad. Overall, tonnes mined for the period increased 16% over the prior year period, primarily due to the use of an additional haul trucks during the full 2010 period compared to the same period last year.
- Production for the nine months ended September 30, 2010 was 15,837 ounces compared to 15,208 ounces during the nine months ended September 30, 2009 resulting in a 4% increase over the prior year period. The increase was primarily the result of better recoveries through secondary crushing and increased plant capacity. Commissioning of an additional 12 carbon columns, bringing the total to 30, was only completed in June 2009, whereas 2010 has benefitted from having the additional capacity for the entire period.
- Gold sales for the nine months ended September 30 2010 were 16,221 ounces at an average realized price of $1,174 per ounce compared to 15,585 ounces sold at an average realized price of $886 for the nine months ended September 30, 2009. On an RTO basis, the mine recorded metal sales of $10,689 during the nine months (May 1, 2010 to September 30, 2010) compared to $nil during the prior year first half. On a non-RTO basis, the mine recorded metal sales of $19,248 during the nine months of 2010 compared to $14,593 during the nine months ended September 30, 2009.
- Operating costs for the nine months ended September 30, 2010 were $9,674 or $1,056 per ounce of gold sold before silver by-product credits of $8 per ounce, compared to $10,347 or $664 per ounce of gold sold before silver by-product credits of $6 per ounce for the nine months ended September 30, 2009. This represents an increase of $392 per ounce over the nine months of 2009. The cost per ounce was higher during the quarter mainly due to the removal of waste to allow for proper pit development access to a higher grade ore zone. Costs rose as increased diesel consumption, maintenance on equipment for the larger fleet of equipment and higher processing costs, which is mainly increased cyanide consumption as the mine continued leaching the old leach pad in addition to the new leach pad.
- Capital expenditures during the nine months ended September 30, 2010 were $720 compared to $913 during the same period in 2009. During the 2010 period, the majority of capital expenditures related to adding new crusher circuits to the new crusher and the purchase of a new drill at the mine.

Operations Outlook

In 2010, the Company expects to produce approximately 20,000 to 22,000 ounces of gold from the Cerro Colorado mine. The purchase of a 6,000 tonne per day secondary crusher, replacing the 3,000 tonne per day rental crusher should not only reduce operating costs but should also improve gold recoveries from ore placed on the leach pad as this crusher provides the mine with greater operational flexibility. The mine will now have the ability to secondary crush all ore placed on the leach pad. The new crushing system was installed during May 2010 and commissioning was completed in July. Since the RTO Goldgroup, has commenced an overall review of the mine operating costs with the intention of bringing the operating costs more in line with industry norms. The Company also expects to carry out exploration work during the year, aimed at expanding the estimated mineral resource at Cerro Colorado.

During the third quarter a new mining manager was put in charge of pit development. There was a backlog of waste preventing proper pit development which was removed. Now the main ore is available

for development at a more acceptable waste to ore strip schedule through the remainder of 2010 and going forward.

Gold Market

The price of gold is the largest single factor in determining profitability and cash flow from operations, therefore, the financial performance of the Company is expected to be closely linked to the price of gold. The average market price of gold during the three and nine month periods ended September 30, 2010 was $1,227 and $1,178 respectively, per ounce. London P.M. fixings of the gold price during the nine month period ranged from a low of $1,058 per ounce on February 5, 2010 to a high of $1,307 per ounce on September 30, 2010. These prices compare with averages of $960 and $931 per ounce respectively during the three and nine month periods ended September 30, 2009. Prices for the nine months ended September 30, 2009 ranged from a low of $810 per ounce to a high of $1,019 per ounce. The Company realized an average price of $1,237 per ounce on its sales of gold during the third quarter of 2010 compared to an average realized price of $954 for the same period in 2009 and compared to the average London P.M. fix for the third quarter of 2010 of $1,227 per ounce. The Company realized an average price of $1,174 per ounce on its sales of gold during the nine months ended September 30, 2010 compared to an average realized price of $930 for the same period in 2009 and compared to the London P.M. fix for the first nine months of 2010 of $1,178 per ounce.

Gold prices continue to be supported by positive market fundamentals. Additionally, gold's appeal as a hedge against inflation and the United States dollar has continued to underpin historically high prices. Due to these factors, the Company expects gold prices to remain well supported in the near term in the midst of a high degree of market volatility.

Non-GAAP Financial Measures

Cash Costs

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

These gold cash costs differ from measures determined in accordance with Canadian GAAP. They are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP. These measures are not necessarily indicative of net earnings or cash flow from operations as determined under Canadian GAAP.

The following table provides a reconciliation of total cash costs per ounce sold for the Cerro Colorado gold mine to the cost of sales, excluding accretion, depreciation, depletion and amortization as per the consolidated statement of operations.

The tables below show the results from the operating mine on a RTO basis and a non-RTO basis. The RTO basis shows the results of the mine based on what was recorded in the financial statements for the nine months ended September 30, 2010, which only include the operating results from the mine from May 1, 2010 to September 30, 2010. The prior months are not included as a result of the accounting treatment for the reverse-takeover. The non-RTO basis shows the results of the mine for the period January 1, 2010 to September 30, 2010.

Cash Costs – RTO Basis – May 1, 2010 to September 30, 2010

	Three months ended September 30,	Five months ended September 30,
(unaudited- expressed in 000's)	**2010**	**2010**
Cost of sales (excluding accretion, depreciation, depletion and amortization)	**$ 5,217**	**$ 9,674**
Non-cash fair value adjustment from RTO[(a)]	**61**	**(429)**
Silver by-product credit	**(20)**	**(69)**
	$ 5,258	**$ 9,176**
Gold ounces sold	**4,303**	**8,687**
Total cash costs ($/oz. sold)	**$ 1,222**	**$ 1,056**
Breakdown of cost per ounce sold		
Direct operating costs	**$ 1,190**	**$ 1,036**
2.5% - 3.0% NSR Royalty [(b)]	**37**	**28**
Less: silver by-product credits	**(5)**	**(8)**
Total cash costs ($/oz. sold)	**$ 1,222**	**$ 1,056**

(a) Included in cost of sales is a non-cash component related to the fair value increase of inventory. This is a non-cash operating cost and as a result it has been removed from cost of sales for the purpose of calculating cash cost per ounce.

(b) In the second quarter, the Cerro Colorado mine reached an accumulated 100,000 ounces of gold mined. As a result the NSR royalty increased from 2.5% to 3%.

Cash Costs – Non-RTO Basis – January 1, 2010 to September 30, 2010

	Three months ended September 30,		Nine months ended September 30,	
(unaudited – expressed in 000's)	**2010**	2009	**2010**	2009
Cost of sales (excluding accretion, depreciation, depletion and amortization)	**$ 5,217**	$ 4,249	**$ 15,655**	$ 10,348
Non-cash fair value adjustment from RTO[(a)]	**61**	-	**(429)**	-
Silver by-product credit	**(20)**	(24)	**(199)**	(97)
	$ 4,5,258	$ 4,225	**$ 15,027**	$ 9,412
Gold ounces sold	**4,303**	5,611	**16,221**	15,585
Total cash costs ($/oz. sold)	**$ 1,222**	$753	**$ 926**	$ 658
Breakdown of cost per ounce sold				
Direct operating costs	**$ 1,190**	$ 732	**$ 911**	$ 642
2.5% - 3.0% NSR Royalty [(b)]	**37**	25	**27**	22
Less: silver by-product credits	**(5)**	(4)	**(12)**	(6)
Total cash costs ($/oz. sold)	**$ 1,222**	$ 753	**$926**	$ 658

(a) Included in cost of sales is a non-cash component related to the fair value increase of inventory. This is a non-cash operating cost and as a result it has been removed from cost of sales for the purpose of calculating cash cost per ounce.

(b) In the second quarter, the Cerro Colorado mine reached an accumulated 100,000 ounces of gold mined. As a result the NSR royalty increased from 2.5% to 3%.

Development Stage Properties

Caballo Blanco Gold Project

During the quarter ended June 30, 2010, Goldgroup completed the purchase of a 70% interest in the Caballo Blanco property by making the final C$3 million payment to NGEx Resources Inc. In May 2010, Francisco Escandon, former Director in charge of Mexico's national geological survey for six years, was hired as Project Manager. On June 30, 2010, Mr. Escandon was also elected to the Board of Goldgroup as a Director. In early June 2010, the Company conducted an analyst tour to the project. On the exploration front, target mapping, surface sampling and re-logging of the drill core from the previous 32-hole diamond drill program continued throughout the quarter. The Company started a comprehensive Environmental Impact Study, including base line study, risk analysis and technical study for the Change of Use of Land permit and another environmental impact statement restricted to the underground adits was submitted to the environmental authorities on October 28, 2010.

In addition, on October 5, 2010, the Company started a 30,000 meter exploration drill program comprised of a reverse-circulation and two diamond drill rigs aimed at upgrading much of the existing inferred mineral resource on the La Paila Area and testing extensions from La Paila. Further drilling will test a number of other high priority targets on the property. The Company also plans to tunnel into the side of the mineralized zone in order to complete further drilling and bulk sampling for metallurgical testing. The expenditure for the planned drilling and exploration programs has been forecast at $8,500.

DynaMexico: San José de Gracia Gold Project
At the end of the quarter ended June 30, 2010, drilling operations were suspended due to the rainy season and activities confined to mapping and sampling of vein structures in outlying areas of the concessions. Drilling recommenced on September 27, 2010 with an 18,500 meter program with a forecast cost of $2,050. On July 21, 2010 the new Environmental Permit for exploration was granted by the Mexican governmental agency SEMARNAT, for an additional three years. Reforestation efforts are ongoing with a total of 16,800 trees planted during the quarter and a similar number of seedlings await in the nursery.

Liquidity and Capital Resources
Goldgroup's cash and cash equivalents increased by $14,275 during the nine months ended September 30, 2010 as compared to a decrease of $4,445 over same period in 2009. As at September 30, 2010, the ending cash balance was $14,790 (December 31, 2009 - $515).

Working Capital
As at September 30, 2010, the Company had working capital of $18,328 compared to negative working capital of $2,014 as at December 31, 2009.

A summary of the Company's cash position and changes in cash and cash equivalents for three and nine month periods ended September 30, are provided below:

	Three months ended September 30,		**Nine months ended September 30,**	
Changes in Cash and Cash Equivalents	**2010**	2009	**2010**	2009
Consumed by operating activities – gross	**$ (3,255)**	$ (488)	**$(4,561)**	$ (1,432)
Changes in non-cash operating working capital	**(767)**	(102)	**33**	(271)
Consumed by operating activities - net	**(4,022)**	$ (590)	**(4,528)**	(1,703)
Investing activities	**20,456**	(615)	**18,158**	(3,354)
Financing activities	**(3,254)**	-	**587**	-
Effect of exchange rate changes	**-**	263	**58**	613
Increase (decrease) in cash and cash equivalents	**13,180**	(943)	**14,275**	(4,445)
Beginning of period	**1,610**	3,672	**515**	7,174
End of period	**$ 14,790**	$ 2,730	**$ 14,790**	$ 2,730

Three months ended September 30, 2010 versus September 30, 2009

Operating Activities
Cash flow consumed by operating activities before changes in non-cash operating working capital during the three months ended September 30, 2010 was $3,255 compared to $488 during the same period 2009. The main cause of negative operating cash flow in the third quarter is a result of the Cerro Colorado mine requiring increased waste stripping for the first nine months of this year to gain access to a new higher grade zone. The Company had increased costs associated with being publicly listed and also incurred severance costs relating to the departure of the former Vice President of Mining Operations.

Investing Activities
During the three months ended September 30, 2010, the Company received $23,300 from the sale of El Porvenir, net of $1,700 royalty settlement, and incurred expenditures of $449 on plant and equipment, $1,396 on mineral property costs and $999 on its equity investment in DynaResource de Mexico SA de

CV ("DynaMexico"). As noted in the "Results of Mining Operations" section, the majority of expenditures on plant and equipment relate to a new drill at the Cerro Colorado mine. Mineral property expenditures were mainly incurred on the Caballo Blanco project where the Company did geological and surface mapping and sampling and resource modelling and prepared for the drill program that commenced on October 5, 2010.

Financing Activities
During the three months ended September 30, 2010, cash flow used in financing activities was $3,254 compared to cash flow $nil in the third quarter of 2009. During the quarter ended September 30, 2010, the Company made $3,379 of principal repayment against the bridge loan from Auramet. In addition, 310,875 options were exercised for proceeds of $125.

Nine months ended September 30, 2010 versus September 30, 2009

Operating Activities
Cash flow used by operating activities before changes in non-cash operating working capital during the nine months ended September 30, 2010 was $4,561 compared to $1,432 during the same 2009 period. The main cause of negative operating cash flow in the third quarter is a result of the Company having no revenues until the RTO on April 30, 2010. In addition, the Cerro Colorado mine required increased waste stripping in the first nine months of this year to gain access to a new higher grade zone. The Company had increased costs associated with being publicly listed and also incurred severance costs relating to the departure of former Vice President of Mining Operations in the third quarter.

Investing Activities
During the nine months ended September 30, 2010, the Company received $23,300 from the sale of El Porvenir, net of $1,700 royalty settlement, and the net cash acquired on the RTO and spent $5,142 on plant and equipment, mineral property costs, the equity investment in DynaMexico, and the purchase and sale of investments compared to $3,354 for the same 2009 period. As noted in the "Results of Mining Operations" section, the majority of expenditures on plant and equipment relate to new crusher circuits for the new crusher and a new drill at the Cerro Colorado mine. Mineral property expenditures were mainly incurred on the El Porvenir gold project where the Company made a property payment of $1,480 and incurred expenditures on drilling and metallurgical testing and also on the Caballo Blanco gold property where the Company did geological and surface mapping and sampling and resource modelling and prepared for the drill program that commenced on October 5. At the corporate level, the Company had a net cash inflow of $2,245 on the sale and purchases of Sierra shares.

Financing Activities
During the nine months ended September 30, 2010, cash flow generated in financing activities was $587 compared to $nil in the same period in 2009. During the nine months September 30, 2010, the Company received $5,785 from a private placement, net of share issuance costs of $93 and received $139 on the exercise of options. In addition the Company made principal repayments of $4,896 on the Agreement Payable to NGEx and obtained and repaid a loan from Auramet for $3,379. In addition, during the period April 16, 2010 to May 6, 2010 Holdings purchased 438,596 Sierra shares on the open market at a cost of $441. The Sierra shares have been reclassified as treasury shares and recorded as a reduction of share capital at their cost.

Liquidity Outlook

Goldgroup had cash and cash equivalents of $14,790 available at September 30, 2010, an increase of $14,275 from the balance at December 31, 2009 of $515, while working capital increased by $20,941 to $18,928 at September 30, 2010 from $(2,013) at December 31, 2009.

With the sale of the El Porvenir gold property for net proceeds of $23,300 on July 12, 2010 the Company is well positioned to fund the remaining $5,432 required to obtain its 50% equity interest on the San José de Gracia gold property and also fund the exploration on the Caballo Blanco property for the current drill program. The Company no longer has any debt as the loan payable to Auramet was repaid in full on July 15, 2010. The Company anticipates the Cerro Colorado mine to generate positive cash flows over the next 12 months.

The Company believes that between its current cash balances and cash flow from operations, it has the necessary funds available to meet its operating, investing and financing obligations and execute its current business plans.

Outstanding Capital and Share Data

On April 30, 2010, the Company changed its name from Sierra Minerals Inc. to Goldgroup Mining Inc. On May 7, 2010, the Company consolidated its shares on a basis of one (new) for 2.85 (old). No fractional new common shares were issued. In the event that a holder would otherwise be entitled to a new fractional share, the number of common shares issued to such shareholder was rounded down to the nearest whole number of new common shares. This resulted in the issuance of 33,009,795 new common shares in exchange for 94,078,331 old common shares. In addition, on May 7, 2010, the Company issued 51,942,637 new common shares to the shareholders of Holdings as part of the completion of the business combination.

Concurrent with the share consolidation, the number of common share purchase options and warrants entitling the holders thereof the right to purchase common shares in the Company, at prices determined at the grant dates, were consolidated on a basis of one (new) common share purchase option and warrant for 2.85 (old). The corresponding exercise prices were multiplied by 2.85. Additionally, holders of common share purchase options to purchase common shares of Holdings were exchanged on a basis of one (old) for one (new) common share purchase options in the Company.

Goldgroup's authorized capital stock consists of an unlimited number of common shares without par value. As at November 11, 2010, there were 85,220,410 common shares issued and outstanding.
As at November 11, 2010, the Company also had the following options and warrants issued and outstanding:

- 7,814,639 common share purchase options with a weighted average exercise price of C$0.73 expiring at various dates to November 12, 2014.
- 2,056,129 common share purchase warrants with an average exercise price of C$0.87, with 201,746 expiring on February 27, 2011, 1,754,383 expiring on March 25, 2011 and 100,000 expiring on June 18, 2011.

Selected Quarterly Financial Information

The following selected financial information is derived from unaudited financial statements of the Company. The information has been prepared by management in accordance with Canadian GAAP and in US dollars. Prior period amounts previously reported in Canadian dollars have been reflected in US dollars as follows: Assets have been translated into US dollars at the respective period end exchange rate.

In $ 000's	Q3 Sept 2010 (unaudited)	Q2 June 2010 (unaudited)	Q1 Mar 2010 (unaudited)	Annual Dec 2009 (audited)	Q4 Dec 2009 (unaudited)
Revenue	$5,297	$5,372	$nil	$nil	$nil
Earnings (loss) from mining operations	$53	$(354)	$nil	$nil	$nil
Net loss	$(3,282)	$(2,868)	$(792)	$(1,522)	$103
Total Assets	$75,576	$85,660	$39,859	$35,147	$35,147
Total Long-Term Financial Liabilities	$525	$514	nil	nil	nil
Loss per share – basic and diluted	$(0.04)	$(0.04)	$(0.01)	$(0.04)	$0.00

In $ 000's	Q3 Sept 2009 (unaudited)	Q2 June 2009 (unaudited)	Q1 Mar 2009 (unaudited)	Annual Dec 2008 (audited)	Q4 Dec 2008 (unaudited)
Revenue	$nil	$nil	$nil	$nil	$nil
Loss from mining operations	$nil	$nil	$nil	$nil	$nil
Net loss	$(523)	$(461)	$(640)	($3,404)	$(490)
Total Assets	$17,784	$16,970	$16,204	$17,191	$17,191
Total Long-Term Financial Liabilities	nil	nil	nil	nil	nil
Loss per share – basic and diluted	$(0.01)	$(0.01)	$(0.02)	($0.09)	$(0.01)

Transactions with Related Parties

At September 30, 2010, receivables include $38 (2009 - $15) owing from Uracan Resources Ltd. ("Uracan") and $5 (2009 - Nil) owing from an officer of the Company. The amount owing from Uracan is for its unpaid share of rent, administration staff salary and general office expenses. The companies

share common office premises and have entered into a cost sharing arrangement, effective February 1, 2007.

At September 30, 2010, accounts payable and accrued liabilities include $399 (2009 - $34) owing to a former officer for severance of $363 and directors for $36.

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

Investor Relations Activities

In addition to in-house investor relations programs, the Company has also seen the need to increase stock distribution and leverage its awareness building initiatives in the USA, and Europe through outsourcing of US centric firms.

During the nine months ended the Company entered into a consulting contract with Michael Baybak & Company Inc. for investor relation services whereby the Company pays $5,000 per month and issued 200,000 stock options at an exercise price of C$1 per option. The Company also entered into a contract with San Diego Torrey Hills Capital Inc. for investor relation services whereby the Company pays $5,000 per month and issued 200,000 stock options at an exercise price of C$1 per option. On September 30, 2010 the Company entered into a consulting contract with Vantage Communications Ltd. for investor relation services whereby the Company paid a one-time payment of $22,500 and issued 125,000 stock options at an exercise price of C$1 per option. On November 9, 2010 the Company entered into consulting contract with RK Equity Capital Markets, LLC for investor relation services whereby the Company pays $5,000 per month for a period of six months and issued 150,000 stock options at an exercise price of C$1.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Going Concern

The unaudited interim consolidated financial statements of the Company have been prepared on the basis that the Company will continue as a going concern, which presumes that it will be able to realize its assets and discharge its liabilities in the normal course of business. The unaudited interim consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. If management is unsuccessful in securing capital, the Company's assets may not be realized or its liabilities discharged at their carrying amounts and these differences could be material. Changes in future conditions could require material write-downs of the carrying amounts of resource and mining property costs. The current working capital will provide sufficient capital for the advancement of the Company's exploration properties for the following 12 months. During the coming months, management will continue to evaluate financing alternatives to secure ongoing capital to execute the Company's business plan. It is not possible to determine, with any certainty, the success or adequacy of these initiatives.

Proposed Transactions

There are no decisions by the Board of Directors of the Company with respect to any imminent or proposed transactions.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Based on historical experience, current market conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. The following have been identified as critical accounting policies and estimates and a change in these policies or estimates could materially impact the consolidated financial statements. The Company's complete accounting policies are described in Note 2 to the unaudited consolidated interim financial statements for the period ended September 30, 2010.

Inventories

Finished goods inventory is valued at the lower of average production costs or net realizable value. Dore represents a bar containing predominantly gold by value which must be refined offsite to return saleable metals. Net realizable value is the amount estimated to be obtained from sale of the inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale.

Production costs are capitalized and included in gold-in-process inventory based on current mining and leaching costs, including applicable depreciation and depletion relating to the mining interests, and are removed from heap leach inventory as ounces of gold are recovered at the average cost per ounce per recoverable ounce of gold on the leach pads. Estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the leach pads (measured tonnes added to leach pads), the grade of ore placed on the leach pads (based on assays analysis), and a recovery percentage. The time required for the majority of the gold to be recovered utilizing heap leaching is over a period of up to 120 days.

Costs of production are based on current mining costs, including applicable amortization and depletion relating to mining operations.

Mineral Properties, Plant and Equipment

The Company records mineral property acquisition expenditures and mine development expenditures at cost. The Company capitalizes pre-production expenditures net of revenues received until the commencement of commercial production in accordance with GAAP.

A significant portion of the Company's mineral property, plant and equipment is depreciated and amortized on a unit-of-production basis. Under the unit-of-production method, the calculation of depreciation, depletion and amortization of mineral property, plant and equipment is based on the amount of reserves expected to be recovered from each location. If these estimates of reserve prices turn out to be inaccurate, or if the Company revises its mining plan for a location due to reductions in the price of gold or otherwise to reduce the amount of reserves expected to be recovered, the Company could be required to write-down the recorded value of the mineral property, plant and equipment or to increase the amount of future depreciation, depletion and amortization expense, both of which would reduce the Company's earnings and net assets.

In addition, GAAP requires the Company to consider at the end of each accounting period whether or not there has been an impairment of capitalized mineral property, plant and equipment. For producing properties, this assessment is based on whether factors are present that may indicate a need for a write

down. If the Company determines there has been an impairment because its prior estimates of future cash flows have proven to be inaccurate, due to reductions in the price of gold, increases in the costs of production, reductions in the amount of reserves expected to be received or otherwise, or because the Company has determined that the deferred costs of non-producing properties may not be recovered based on current economics or permitting considerations, the Company would be required to write down the recorded value of its mineral property, plant and equipment, which would reduce the Company's earnings and net assets. Volatility in equity and commodity markets could have a significant impact on the valuation of our mineral properties.

Asset Retirement Obligations

The Company has an obligation to reclaim its properties after the minerals have been mined from the site and has estimated the costs necessary to comply with existing reclamation standards. Generally accepted accounting principles require the Company to recognize the fair value of a liability for an asset retirement obligation, such as site closure and reclamation costs, in the period in which it is incurred if a reasonable estimate of fair value can be made. The Company records the estimated present value of future cash flows associated with site closure and reclamation as a liability when the liability is incurred and increases the carrying value of the related assets by the same amount. Subsequently, these asset retirement costs are amortized to expense over the life of the related assets using the units-of-production method. At the end of each period the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial fair value measurements (additional asset retirement costs). If these estimates of costs or recoverable mineral resources prove to be inaccurate, the Company could be required to write down the recorded value of its mineral property or increase the amount of future depreciation and accretion expense, or both, all of which would reduce the Company's earnings and net assets.

Income Tax Liabilities

The Company recognizes future tax assets associated with tax loss carry forwards and other tax deductions only if it is more likely than not that the related benefits will be realized in the future. The evaluation of whether future tax should be recognized is based on expected future income tax purposes. The determination of expected future income for tax purposes requires significant judgements and estimates with respect to metal prices, foreign exchange rates and operating costs. Changes in those assumptions can materially affect the recognized amount of a future income tax asset. In future years, if the Company determines it is no longer more likely than not that the benefit of its future tax assets will be realized, it would be required to set up a valuation allowance with a corresponding future income tax expense in results from operations.

Revenue Recognition

Revenue from the sale of metals is recognized in the accounts when persuasive evidence of an arrangement exists, title and risk passes to buyer, collection is reasonably assured and the price is reasonably determinable. Revenue from the sale of metals in concentrate may be subject to adjustment upon final settlement of estimated metal prices, weights and assays. Adjustments to revenue for metal prices are recorded monthly and other adjustments are recorded on final settlement. These types of adjustments can have a material impact on revenues.

Stock-based Compensation

CICA Handbook, Section 3870, *Stock-Based Compensation and Other Stock-Based Payments* establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. Compensation expense is determined

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

Change in Functional and Reporting Currency

As a result of the Sierra RTO, Holdings increased its exposure to US dollar denominated transactions through Sierra's operations while continuing to pay for significant exploration activities in US dollars and incur debt denominated in US dollars. As a result of this change in circumstances, the Company undertook a review of the functional currency exposures of all of its business units and effective April 30, 2010, Holdings' changed its functional and reporting currency to the US dollar.

The Company uses the temporal method to translate its operating results. Under this method, monetary assets and liabilities denominated in currencies other than the US dollar are translated into US dollars at the exchange rates prevailing at the balance sheet date; non-monetary assets denominated in foreign currencies are translated using the exchange rate at the transaction date. Foreign exchange gains and losses are included in earnings and unrealized gains and losses due to movements in exchange rates on cash and cash equivalent balances held in foreign currencies are shown separately on the Consolidated Statements of Cash Flows.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Company's management to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes. Actual results could differ from those estimates by a material amount.

The significant areas requiring the use of management estimates and assumptions include, but are not limited to, the recoverability of accounts receivable, the quantities of product inventory, the amount of ore reserves and resources and related amortization and depletion, the expected recovery rate of those mineral resources, the assessment of impairment to the carrying value of mineral properties, the recoverability of investments, the expected economic lives and future cash flows from plant and equipment and related amortization and depreciation, current and future income taxes, site closure and reclamation obligations and assumptions used to calculate fair value of stock-based compensation, options and warrants, and amounts and likelihood of contingent liabilities. Actual results could vary by a material amount.

Impairment of Long-Lived Assets

Annually, or more frequently as circumstances require (such as a decrease in metal prices, an increase in operating costs, a decrease in mineable reserves or a change in foreign exchange rates), reviews are undertaken to evaluate the carrying value of the operating mine, mineral properties, plant and equipment, considering, among other factors, the following: (1) net value of each type of asset, (2) the Company's ability to keep them operating considering associated costs, (3) use, value and condition of assets when not in operation to calculate amortization, and (4) price of metals that affect the decision to reinstall or dispose of the assets.

Impairment is considered to exist if the total estimated future undiscounted cash flows are less than the carrying amount of the assets. An impairment loss is measured and recorded based on discounted estimated future cash flows when the carrying value exceeds management's estimate of fair value.

Future cash flows used to assess recoverability are estimated based on expected future production, recoverability of reserves, commodity prices, operating costs, reclamation costs and capital costs. Management estimates of future cash flows are subject to risks and uncertainties. It is reasonably possible that changes in estimates could occur which may affect the expected recoverability of the investments in mineral properties.

Fair value is determined with reference to discounted estimated future cash flow analysis or on recent transactions involving dispositions of similar properties. The Company believes that the estimates applied in the impairment assessment are reasonable; however such estimates are subject to significant uncertainties and judgments. Although management has made its best estimate of these factors based on current conditions, it is possible that the underlying assumptions can change significantly and impairment charges may be required in future periods. Such charges could be material.

Financial Instruments and Other Instruments

The Company has exposure to credit, liquidity and market risks from the use of financial instruments. Financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued liabilities and loan payable

Readers are encouraged to read and consider the financial risk factors more particularly described in Note 15, "Risk Management" and its approach to the "Management of Capital" described in note 14" to the unaudited Consolidated Financial Statements for the nine months ended September 30, 2010.

Risks and Uncertainties

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:

Mining Industry Risks

The exploration for and development of mineral deposits involves a high degree of risk that even a combination of careful evaluation, experience, knowledge and sufficient financial resources does not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Substantial expenses may be required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration programs planned by the Company or its subsidiaries will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, including the grade, ore type, ability to process, whether crushing is required or not, continuity of the mineralization, and proximity to infrastructure.

Current estimates indicate that the estimated mine life of Cerro Colorado is another four to five years. Consequently, the Company will need to evaluate and search for additional reserves, from its existing exploration projects and elsewhere, in order to sustain and promote growth of its business. Given that metal prices are inherently cyclical and cannot be predicted with certainty, the Company cannot be reasonably assured that it will continue to realize high gold prices in connection with its sales. With respect to infrastructure, the Cerro Colorado mine depends on a source of water that is several kilometers away from the mine site. There are two alternative sources of water that are available at higher costs. There is potentially a risk that something could happen to impede the Company's ability to maintain its unhindered access to the water sources. Other factors that can impact the commercial viability of a property include government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, exporting of minerals and environmental protection. The effect of these factors cannot be accurately predicted and the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Properties without Known Mineable Reserves

The majority of the activities of the Company are directed towards the search for, evaluation of and development of mineral deposits. There is no assurance that the expenditures of the Company will result in discoveries of further commercial ore bodies. Furthermore, there can be no assurance that the Company's estimates of future exploration expenditures will prove accurate, and actual expenditures may be significantly higher than currently anticipated.

Production Risks

The Company prepares estimates of future production at its operations. Failure to meet these estimates could adversely affect the Company's profitability, cash flows and financial position. There can be no assurance that the Company will achieve its production estimates. The Company's actual production may vary from its estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors such as the need for sequential development of ore bodies and the processing of new or different ore grades from those planned; mine failures, slope failures or equipment failures; industrial accidents; natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes; encountering unusual or unexpected geological conditions; changes in power costs and potential power shortages; shortages of principal supplies needed for operation, including explosives, fuels, chemical reagents, water, equipment parts and lubricants; labour shortages or strikes; civil disobedience and protests; and restrictions or regulations imposed by governmental or regulatory authorities or other changes in the regulatory environments. Such occurrences could result in damage to mineral properties, interruptions in production, injury or death to persons, damage to property of the Company or others, monetary losses and legal liabilities. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable forcing the Company to cease production. These factors also apply to the Company's future operations.

Uncertainty as to Calculations of Mineral Deposit Estimates

There is a significant degree of uncertainty attributable to the calculation of mineral deposit estimates and corresponding mineralization grades. Until the mineralized material is actually mined and processed, mineral deposit estimates, mineralization grades and recovery rates must be considered as estimates only. Consequently, there can be no assurance that any disclosed mineral deposit estimates or ore-grade information contained herein will prove accurate. In addition, the value of mineral deposits may vary depending on mineral prices and other factors. Any material change in ore grades, stripping ratios or other mining and processing factors may affect the economic viability of the Company's

projects. Furthermore, mineral deposit estimate information should not be interpreted as any assurance of mine life or of the potential profitability of existing or future projects.

Regulations and Permits
The Company's activities are subject to a wide variety of laws and regulations governing health and worker safety, employment standards, waste disposal, protection of the environment, protection of historic and archaeological sites, mine development and protection of endangered species and other matters. The Company is required to have a wide variety of permits from governmental and regulatory authorities to carry out its activities. These permits relate to virtually every aspect of the Company's exploration and exploitation activities. Changes in these laws and regulations or changes in their enforcement or interpretation could result in changes in legal requirements or in the terms of the Company's permits that could have a significant adverse impact on the Company's existing or future operations or projects. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the Company will be able to obtain the necessary permits including any renewals thereof on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities.

Foreign Exchange Rates
Currency fluctuations in the US dollar, Canadian dollar and Mexican peso may materially affect the financial position and operating results of the Company. Goldgroup does not engage in currency hedging to offset any risk of currency fluctuations.

The majority of the Company's business is transacted in US dollars and accordingly, the consolidated financial statements have been measured and expressed in that currency. Details of underlying amounts denominated in foreign currencies and the Company's exposure to fluctuations in foreign exchange rates can be found in the Notes to the unaudited Consolidated Financial Statements and Management's Discussion and Analysis for the nine months ended September 30, 2010.

Fluctuations in the Market Price of Mineral Commodities
The profitability of Goldgroup's operation is dependent in part upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of and demand for mineral commodities, and exchange rate stability can all cause significant price fluctuations. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on Goldgroup's business, financial condition and results of operations.

Actual Capital Costs, Operating Costs and Expenditures, Economic Returns may differ significantly for those Goldgroup has Anticipated
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 metal prices, cut-off grades,

operating costs, capital costs, expenditures and other factors that each may prove to be inaccurate. Therefore, such studies and reports may prove to be unreliable.

Dependence Upon Key Management Personnel and Executives

Goldgroup is dependent upon the continued support and involvement of a number of key management personnel. The loss of the services of one or more of such personnel could have a material adverse effect on the Company. Goldgroup's ability to manage its mining exploration and development activities and, hence, its success, will depend in large part on the efforts of these individuals. The Company faces intense competition for qualified personnel and there can be no assurance that Goldgroup will be able to attract and retain such personnel.

Theft

The Company is required to store precious metals, including gold bars, in and around its operating mine 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 is continually taking steps to improve its controls and procedures aimed at significantly increasing security measures.

Title to Properties

The Company cannot guarantee that title to its properties will not be challenged. Title insurance is generally not available for mineral properties and the Company's ability to ensure that it has obtained secure claims to individual mineral properties or mining concessions may be severely constrained. The Company's mineral properties may be subject to prior registered or unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects. A successful challenge to the precise area and location of these claims could result in the Company being unable to operate on its properties as permitted or being unable to enforce its rights with respect to its properties.

Goldgroup may not have Adequate Surface Rights

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

Goldgroup has not previously overseen the Construction of a Mining Project
Goldgroup has not overseen the construction of a mining project. There are inherent risks related to the development of project infrastructure given Goldgroup's lack of experience in mine construction relating to, among other things, construction supervision, costs of estimating, obtaining required permits and approvals and the management of personnel. Consequently, Goldgroup may be required to rely upon consultants, engineers and others for construction expertise in respect of its projects.

Environmental Risks and Hazards
All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that existing or future environmental regulation will not materially adversely affect the Company's business, financial condition and results of operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties. Government approvals and permits are currently, or may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations, including the Company, may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

Governmental Regulation of the Mining Industry
The mineral exploration and drilling activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Mining and exploration activities are also subject to various laws and regulations relating to protection of the environment. Although the Company believes that its exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a material adverse effect on the business, financial condition and results of operations of the Company.

Instability of Political and Economic Environments
The mining interests of the Company may be affected in varying degrees by political or economic stability. Associated risks include, but are not limited to: terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Any change in regulations or shifts in political attitudes are beyond the control of the Company and may materially adversely affect its

business, financial condition and results of operations. Operations may also be affected in varying degrees by such factors as government regulations (or changes thereto) with respect to the restrictions on production, export controls, income taxes, expropriation of property, repatriation of profits, land use, environmental legislation, water use, land claims of local people and mine safety. The effect of these factors cannot be accurately predicted. In addition, Mexico is currently experiencing a high rate of violence and crime. There is the increased risk of incident due to the country in which the Company operates.

Potential Conflicts with DynaUSA

There exists potential for conflicts with DynaUSA which is the current 75% equity owner of DynaMexico. Goldgroup currently appoints one of three members of the DynaMexico directors and appoints two of three members of DynaMexico's management committee, which oversees the expenditures and approves the budgets for such expenditures. If the Company completes the funding and earns the 50% common share interest the board of DynaMexico will be comprised of five members with DynaUSA and Goldgroup each appointing two members and mutually agreeing on one additional member. If the Company earns the 50% equity ownership of DynaMexico the inherent structure of ownership and operations has the potential for conflicts that could materially affect operations of SJG.

Uninsured Risks

Goldgroup 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. Due to the high cost of bullion insurance, the Company has decided not to purchase this line of insurance. Instead, the Company has implemented changes to its controls and procedures to help mitigate the risk of theft and its resultant loss. 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.

Competition

The mining industry is intensely competitive in all of its phases and the Company will compete with many companies possessing greater financial and technical resources than itself. Competition in the base and precious metals mining industry is primarily for: mineral rich properties which can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate such properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a world-wide basis. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Company's prospects for mineral exploration and success in the future.

Possible Conflicts of Interest of Directors and Officers

Certain of the directors and officers of the Company also serve as directors, officers and/or advisors of and to other companies involved in natural resource exploration and development. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best

interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest with or which is governed by the procedures set forth in the Quebec Act and any other applicable law.

Requirement of Additional Financing

The exploration and development of the Company's properties, including continuing exploration and development projects and mining operations, and the construction, maintenance and expansion of mining facilities, may require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration development or production on any or all of the Company's properties or even a loss of a property interest. Sources of funds now available to the Company are limited and may include cash flow from the Cerro Colorado Mine, the sale of common shares, properties, royalty interests, the entering into of future joint ventures and the exercise of outstanding options and warrants. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders. Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations.

Potential Volatility of Market Price of Common Shares

The TSX has, from time to time, experienced significant price and volume fluctuations unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of the common shares of the Company. In addition, the market price of the common shares is likely to be highly volatile. Factors such as the price of gold and other minerals, announcements by competitors, changes in stock market analyst recommendations regarding the Company, and general market conditions and attitudes affecting other exploration and mining companies may have a significant effect on the market price of the common shares. Moreover, it is likely that during future quarterly periods, the Company's results and exploration activities may fluctuate significantly or may fail to meet the expectations of stock market analysts and investors and, in such event, the market price of the common shares could be materially adversely affected. In the past, securities class action litigation has often been initiated following periods of volatility in the market price of a company's securities. Such litigation, if brought against the Company, could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Other MD&A Requirements

Goldgroup's business of exploring, developing and mining mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and Goldgroup's common shares should be considered speculative.

Additional Information

Additional information relating to the Company, including the Company's 2009 Annual Information Form, ("AIF") is available on the SEDAR website at www.sedar.com.

Status of Goldgroup's Transition to International Financial Reporting Standards ("IFRS")

In February 2008, the AcSB announced that 2011 is the transition date for publicly listed companies to use International Financial Reporting Standards ("IFRS"), which will replace existing Canadian GAAP. The

effective date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. As a result, the Company has developed a plan to convert its consolidated financial statements to IFRS. The plan addresses the impact of IFRS on accounting policies and implementation decisions, infrastructure, business activities and control activities. A summary status of the key elements of the changeover plan is as follows:

Accounting policies and implementation decisions:

- ✓ Identification of differences in Canadian GAAP and IFRS accounting policies;
- ✓ Selection of the Company's ongoing IFRS policies;
- ✓ Selection of the Company's IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") choices;
- ✓ Development of financial statement format; and
- ✓ Quantification of effects of change in initial IFRS 1 disclosures and 2010 financial statements.

Status:

- ✓ The Company has identified differences between accounting policies under Canadian GAAP and accounting policy choices under IFRS, both on an ongoing basis and with respect to certain choices available on conversion, made in accordance with IFRS 1;
- ✓ During the second quarter of 2010, the Company completed a business combination. Work is ongoing to assess the IFRS impact related to this combination and the policies used by the acquired company.
- ✓ The Company will progress towards the quantification of the identified differences and choices throughout 2010.

The conversion to IFRS is not expected to have a significant effect on the Company's infrastructure, business and control activities.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. The Company has identified key areas that may be impacted by the transition to IFRS and the major areas where significant complexities or key decisions are required by management prior to implementation. The analysis of IFRS and comparison with currently applied accounting principles has identified a number of differences. Although the Company has not yet determined the full effects of adopting IFRS, key areas where changes in accounting policies are expected are as follows:

Property, plant and equipment
Consistent with Canadian GAAP, under IFRS, separable components of property, plant and equipment ("PP&E") are recognized initially at cost. Under International Accounting Standards ("IAS") 16, *Property, Plant and Equipment*, an entity is required to choose, for each class of PP&E, to use either the cost model (consistent with Canadian GAAP) or the revaluation model. Under the revaluation model, an item of PP&E is carried at its revalued amount, being its fair value at the date of the revaluation less any accumulated amortization and accumulated impairment losses. Increases in fair value are recorded in a

revaluation surplus account in equity while decreases in fair value serve to reduce the revaluation surplus account, related to the asset, with any excess recognized in income.

IFRS requires that major inspections and overhauls be accounted as a separate component of PP&E. This treatment is only intended for use for major expenditures that occur at regular intervals over the life of the asset as costs of routine repairs and maintenance will continue to be expensed as incurred. The major maintenance required on the Company's plant and equipment would likely be required to be treated under this standard and would allow for additional amounts to be capitalized and amortized.

Impairments
Under Canadian GAAP for assets other than financial assets, a write-down to estimated fair value is recognized if the estimated undiscounted future cash flows from an asset or group of assets are less than their carrying value. Under IAS 36, *Impairment of Assets*, a write-down is recognized if the recoverable amount, determined as the higher of the estimated fair value less costs to sell or value in use (which is typically based on discounted cash flow) is less than the carrying value. Consistent with Canadian GAAP, impairments are measured at the amount by which carried value exceeds fair value less costs to sell.

Currently Canadian GAAP requires a two-step impairment test in which the Company must first compare undiscounted cash flows to the carrying value of the assets, and only if the cash flows are below the carrying value does management need to discount the cash flows to calculate impairment. Under IFRS the impairment calculation is a one-step process in which discounted cash flows are compared to the carrying value of assets. This may lead to additional write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but cannot be supported on a discounted cash flow basis.

IFRS also requires the reversal of any previous impairment losses where circumstances have changed such that the impairments have reduced. Canadian GAAP prohibits reversal of impairment losses. This could result in greater variability in earnings, carrying values of PP&E, and balances in shareholders' equity.

Asset retirement obligations
Under Canadian GAAP the Company would only record an asset retirement obligation ("ARO") if there was a legal requirement to incur restoration costs. Under IFRS the threshold for recognizing a liability is a legal or constructive obligation. The difference in standards may require the Company to review business plans to determine if there are any actions planned by management that would create a constructive obligation to record an ARO upon adoption of IFRS. Under Canadian GAAP the discount rate is established as the Credit adjusted risk free rate ("CARF") and is set at the time the obligation is established. Under IFRS the discount rate reflects the risk specific to the provision and is updated if conditions change that would require a change in the rate. As well, under Canadian GAAP the costs built into the model reflect third party costs whereas IFRS allows for the assumption that work can be performed internally, likely reducing the liability. The Company has assessed the impact of this difference and determined that there is no impact on the opening balance sheet. The Company has not yet assessed the impact on the rest of 2010.

Provisions
IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, requires a provision to be recognized when there is a present obligation as a result of a past transaction or event and it is probable that an

outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the obligation. Probability is based on a "more likely than not" threshold. Under Canadian GAAP, the criterion for recognition in the financial statements is "likely", which is a higher threshold. It is possible that there may be some legal, bad debt or contingent provisions which would meet the recognition criteria under IFRS that were not previously recognized under Canadian GAAP.

Warrants
Under IFRS, share purchase warrants issued with exercise prices denominated in currencies other than the US dollar, the Company's functional currency, are classified and presented as financial liabilities and measured at fair value. Under Canadian GAAP, all warrants are presented as equity. At December 31, 2009, the Company had no warrants and therefore there is no impact on the opening balance sheet. As part of the consideration for the reverse take-over on April 30, 2010, the Company acquired warrant obligations. The impact on 2010 has not yet been determined.

Effect of changes in foreign exchange rates
The Company uses the US dollar as it's functional under Canadian GAAP. Under Canadian GAAP, Section 1651, *Foreign Currency Translation* considers foreign currency translation from the perspective of three specific types of activities: foreign currency transactions of the reporting enterprise, integrated foreign operations (foreign operations which are financially or operationally interdependent with the reporting enterprise) and self-sustaining foreign operations that are financially or operationally independent of the reporting enterprise. IAS 21, *Effect of Changes in Foreign Exchange Rates* takes a "functional currency" approach whereby each entity, whether a stand-alone entity, an entity with foreign operations (such as a parent) or a foreign operation (such as a subsidiary) determines its functional currency (the currency of the primary economic environment in which the entity operates). The results and financial position of any individual entity within the reporting entity are then translated in accordance with the standard. The Company has assessed the impact of this difference and determined that there is no impact on results of the Company.

Deferred taxes/Future income taxes
Under IFRS, deferred income taxes, called "future income taxes" under Canadian GAAP, are recognized for temporary differences arising from the difference between the historical exchange rate and the current exchange rate translations of the cost of nonmonetary assets or liabilities denominated in other than US dollars, the Company's functional currency. Under Canadian GAAP, these temporary differences are not accounted for. The Company owns significant mining interests with costs denominated in non-US dollars. Accordingly, a weakening in foreign currencies, primarily the Mexican peso and Canadian dollar, would result in additional deferred income taxes recognized by the Company.

Under IFRS, deferred income taxes are not recognized for temporary differences that arise from differences between the fair values and tax bases of assets acquired in transactions other than a business combination. Under Canadian GAAP, future income taxes are recognized for such temporary differences. The resulting future tax liability/asset under Canadian GAAP is recognized as a bump up/grind down of the carrying value of the related asset. For purposes of the opening IFRS balance sheet at January 1, 2010, the Company acquired Minera Cardel S.A. de C.V. which would be considered as acquired in a transaction other than a business combination under IFRS to which this accounting policy difference would apply. The Company recognized $2.9 million in future income tax liability which will be reversed on adoption of IFRS.

Under IFRS, the Company will present foreign exchange gains and losses from translation of deferred income taxes as part of deferred income tax expense, as compared to other income and expense under Canadian GAAP.

First-time adoption of IFRS
Adoption of IFRS requires the application of First-time Adoption of International Financial Reporting Standards ("IFRS 1") which provides guidance for an entity's initial adoption of IFRS. IFRS 1 lists specific exemptions the Company may use when first adopting IFRS. The most significant exemptions to the Company are as follows:

Business combinations
For business combinations that occurred before the transition date, the Company has the choice to restate all of these business combinations to IFRS standards, restate all business combinations after a particular date, or not to restate any of the business combinations. Assets and liabilities acquired in an un-restated business combination that were recognized under Canadian GAAP and do not qualify for recognition under IFRS are then de-recognized or vice versa. The Company expects to use this exemption and not restate any business combinations prior to December 31, 2009.

Fair-value or revaluation as deemed cost
IFRS requires PP&E to be measured at a cost in accordance with IFRS (breaking down material items into components and amortizing each one separately). However, upon transition IFRS permits an asset to be recorded at its fair value at date of transition, or an event-driven valuation (i.e., when an entity was acquired). This exemption may be applied to individual items of PP&E. Any write-up of the asset to a fair value above cost will be recorded in retained earnings as a revaluation reserve. The Company is assessing the impact of these alternatives.

Cumulative translation adjustment
IAS 21, The Effects of Changes in Foreign Exchange Rates, requires a company to determine the translation differences in accordance with IFRS from the date on which a subsidiary was formed or acquired. IFRS allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition with reclassification of the previous amount made to retained earnings. The Company will not elect to use its cumulative translation account to be deemed zero.

Asset retirement obligation
Similar to Canadian GAAP, IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities requires specified changes in a decommissioning, restoration or similar liability to be added to or deducted from the cost of the asset to which it relates; the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. There are however differences in the measurement of the liability as discussed above. A first-time adopter need not comply with these requirements for changes in such liabilities that occurred before the date of transition to IFRSs. If a first-time adopter uses this exemption, it:

a) measures the liability as at the date of transition to IFRSs in accordance with IAS 37;

b) to the extent that the liability is within the scope of IFRIC 1, estimates the amount that would have been included in the cost of the related asset when the liability first arose, by discounting the liability to that date using its best estimate of the historical risk-adjusted discount rate(s) that would have applied for that liability over the intervening period; and

c) calculates the accumulated depreciation on that amount, as at the date of transition to IFRSs, on the basis of the current estimate of the useful life of the asset, using the depreciation policy adopted by the entity in accordance with IFRSs.

The Company is assessing the impact of these alternatives.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer ("CEO") and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. Due to the smaller size of the Company, the CEO has taken a hands-on approach to managing most aspects of the Company that would give rise to information required to be publicly disclosed.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate control over its financial reporting, and has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced. Management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the design effectiveness of the Company's disclosure controls and procedures as defined in the Multilateral National Instrument 52-109.

Based on management's review at June 30, 2010 there were two material weaknesses summarized as follows:

- A material weakness existed in the design of internal control over financial reporting caused by the Company not comparing the budget to actual results relating to subsidiary and head office expenditures. Management expects this process to be completed in December once the updated budget has been approved. At the date of this MD&A, this material weakness still exists.
- A second material weakness existed as a result of the Company not having formalized accounting and operating policies in place at its Hermosillo, Mexico office. Authority limits were not previously communicated to all individuals working for the Company's Mexican subsidiaries. Additionally, there were no dual signatory requirements for issuing cheques and wiring funds by the Company's Mexican subsidiaries and journal entries prepared by the accounting clerk were not subject to review prior to posting. During the three month period ended September 30, 2010, the Company implemented a process where all disbursements and wire transfers now require dual signatories. Also during this period, management implemented procedures whereby all journal entries prepared by the Hermosillo-based accounting clerk were subjected to review prior to posting. As a result of these changes in internal controls, management has concluded that this material weakness has been effectively remediated.

During the third quarter, management identified an additional internal control deficiency that it determined was a material weakness. During the most recent interim period, management determined that the operational budgets developed for the Cerro Colorado operations departed significantly from actual results and as such needed to be substantially reworked and refined. Since the VP, Mine Operations resigned in August, his replacement has yet to update these budgets based on current operating performance.

The new Mine Operations Manager and his team have been revising the mine plan and compiling an achievable budget for Board presentation and approval in early December, during the third quarter and as of the date of this MD&A, the Company's Cerro Colorado operations do not have an effective budgeting process in place.

Limitations of controls and procedures:

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Approval

The Board of Directors of Goldgroup has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it from the Company.

Additional Information

Additional information relating to Goldgroup Mining Inc. (formerly Sierra Minerals Inc.), including the 2009 AIF, is available on SEDAR at www.sedar.com

Qualified Person

The scientific and technical information in this document was prepared in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects and was reviewed, verified and compiled by Kevin James Sullivan, B.Sc. M.AusIMM, Goldgroup's Vice-President, Exploration, who is the qualified person for the purpose of NI 43-101.

Cautionary Statement on Forward-Looking Information

All statements, other than statements of historical fact, contained or incorporated by reference in this MD&A, including any information as to the future financial or operating performance of Goldgroup, constitute "forward-looking statements" within the meaning of certain securities laws, including the "safe harbour" provisions of the Securities Act (Ontario) and are based on expectations, estimates and projections as of the date of this MD&A. Forward-looking statements include, without limitation, statements with respect to the future price of gold, the estimation of mineral reserves and resources, the realization of mineral reserve and resource estimates, the timing and amount of estimated future production, costs of production, expected capital expenditures, costs and timing of development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. The words, "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved" and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based

upon a number of estimates and assumptions that, while considered reasonable by Goldgroup as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of Goldgroup which may prove to be incorrect, include, but are not limited to, the various assumptions set forth herein as well as: (1) there being no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, damage to equipment or otherwise; (2) that the exchange rate between the Canadian dollar and Mexican Peso and the US dollar will be approximately consistent with current levels; (3) certain price assumptions for gold; (4) prices for energy and other key supplies remaining consistent with current levels (5) production forecasts meet expectations; (6) the accuracy of our current mineral reserve and resource estimates. Known and unknown factors can cause actual results to differ materially from those projected in the forward-looking statements. Such factors include but are not limited to: fluctuations in currency markets; fluctuation in the spot and forward price of gold; changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Mexico, Canada and the United States or other countries in which we do or may carry on business in the future; business opportunities that be presented to, or pursued by us; our ability to successfully integrate acquisitions; operating or technical difficulties in connection with mining or development activities; employee relations; the speculative nature of gold exploration and development, including the risks of obtaining necessary licences and permits; diminishing quantities or grades of reserves; and contests over title to properties, particularly title to undeveloped properties. In addition, there are risks and hazards associated with the business of gold exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, and gold bullion losses (and the risk of inadequate insurance, or inability to obtain insurance, to cover these risks). Many of these uncertainties and contingencies can affect Goldgroup's actual results and could cause actual results to differ materially from those expected or implied in any forward-looking statements made by, or on behalf of, Goldgroup. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements, those in the "Risk Analysis" section hereof. These factors are not intended to represent a complete list of the factors that could affect Goldgroup. Goldgroup disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, or to explain any material differences between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.