GOLDGROUP MINING INC. (formerly Sierra Minerals Inc.)
Management's Discussion and Analysis
For the three and twelve months ended December 31, 2010
(Expressed in 000's of US dollars)

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1.1 Date

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 March 25, 2011, and is intended to supplement and complement the Company's annual audited consolidated financial statements for the year ended December 31, 2010. Readers are cautioned that this MD&A contains forward-looking statements and that actual events may vary from management's expectations. Goldgroup's public disclosures are available on SEDAR at www.sedar.com. The audited 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 twelve months ended December 31, 2010.

The MD&A contains forward-looking statements and should be read in conjunction with the risk factors described in "Risks and uncertainties" and the "Cautionary Statement on Forward-Looking Information" at the end of this MD&A. All amounts in US dollars ("US$") unless otherwise stated.

1.2 Overview

As of March 25, 2011, Goldgroup has cash and cash equivalents of approximately $43,000, is debt-free and unhedged.

Goldgroup is a Canadian-based gold producer and is focused on the acquisition, exploration and development of advanced stage gold-bearing mineral properties in the Americas. The Company's current gold production and exploration and development related activities are conducted exclusively in Mexico, one of the world's most advantageous mining jurisdictions. Goldgroup owns and operates the Cerro Colorado Mine in Sonora along with a property portfolio that includes its interests in the Caballo Blanco Project in Veracruz and the San José de Gracia Project in Sinaloa.

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 December 31, 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 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 December 31, 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.

1.2.1 Caballo Blanco

The Company is earning a 70% interest on the Caballo Blanco project which consists of 15 mineral concessions covering 19,650 hectares, 65 kilometers north northwest of Veracruz, Mexico. In May 2010, Francisco Escandon, former Director in charge of Mexico's national geological survey for eight years, was hired as Project Manager. On June 30, 2010, Mr. Escandon was also elected to the Board of Goldgroup as a Director. 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.

Status of Project

At Caballo Blanco, Goldgroup is continuing its 30,000 meter multi-drill program, utilizing four mainly large diameter HQ diamond drills, 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 Company is targeting a resource sufficient to sustain 100,000 ounces of annual gold production. The following initiatives are part of the exploration/development program at Caballo Blanco:

- Ground geophysics – Data collection for the 63 line km IP (induced polarization) survey has been completed and interpretation of the results is ongoing.
- Geochemical analysis of surface chip samples has shown an extension of the La Paila mineralization to the East and is progressing in other areas.
- Metallurgical column leach testing at the Company's on site laboratory using 6" and 16" diameter columns has indicated high and fast leaching recoveries, as expected. Within the next two months the Company expects to start four 1m diameter by 6m tall column tests to verify that open pit run of mine heap leaching is applicable. Underground adits will give sufficient run of mine sized material for these test columns.
- An environmental impact study, including the environmental baseline and impact statement, the socio-economical study and a risk analysis, is proceeding and is approximately 50% complete.
- The Company has expanded its concession areas and identified by satellite Aster imaging a number of anomalies which are being investigated.

- 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.

During the fourth quarter approximately 2,500 trees were transplanted to the field from the Company's nursery.

Latest Drill Results

In the current 30,000 meter drill program, which commenced on October 5, 2010, the Company has completed 19 reverse circulation and 7 diamond drill holes to the end of December 2010. Assay results are pending. The reverse circulation drilling only gave a 55% return of drill cuttings. This is considered insufficient for representative sampling, so the drilling technique has been changed to HQ/NQ diamond core where the average core return is in excess of 90%. Two of the reverse circulation drill holes, 10CBRC48 and 10CBRC49, in the La Paila zone gave the following results:

Hole #48	42m to 104m, 62m of 0.44g/t gold and 4.67g/t silver
	112m to 174m, 62m of 0.75g/t gold and 0.76g/t silver
Hole #49	22m to 38m, 16m of 0.67g/t gold and 2.75g/t silver
	50m to 68m, 18m of 0.38g/t gold and 1.90g/t silver
	80m to 90m, 10m of 0.29g/t gold and 1.22g/t silver
	102m to 150m, 48m of 0.53g/t gold and 1.35g/t silver

Leach testing using 6" diameter by 3m high columns commenced during the fourth quarter and has since been added to with 16" diameter by 6m high columns and results to date show high recoveries. Collection of the field data for the geophysical survey was completed during the fourth quarter.

The expenditure for the planned drilling and exploration programs has been forecasted at $8,500.

1.2.2 DynaMexico - San José de Gracia

On March 14, 2011 the Company completed its Earn-in/Option agreement with DynaResource de Mexico SA de CV ("DynaMexico") for its 50% equity interest by reaching the expenditure funding requirement of $18,000.

Status of 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 year and a similar number of seedlings await in the nursery.

Since the previous resource statement based on drilling completed to July of 2009 the Company has drilled an additional 114 holes, the results of which combined with the previous drilling will be used to complete a revised 43-101 resource estimate which in turn will be used to support an economic assessment for mining. The Company is targeting a resource sufficient to sustain 100,000 ounces of annual gold production.

Current Drill Results
During the quarter ended December 31, 2010, the Company announced the results of an additional 37 drill holes (SJG-10-189 to 224) from the ongoing diamond drilling program due to be completed at the end of the first half of 2011. The highlights from this drilling include:

	From (m)	To (m)	Interval (m)	Au grade (g/t)
SJG-10-193	41.15	46.75	5.60	3.96
SJG-10-197	48.15	51.82	3.67	7.96
and	102.00	105.30	3.30	28.38
SJG-10-198	35.05	36.58	1.53	13.64
SJG-10-201	23.40	25.50	2.10	15.78
SJG-10-203	70.65	76.15	5.50	332.86
SJG-10-206	121.73	124.04	2.31	14.63
SJG-10-207	80.15	83.20	3.05	16.74
SJG-10-212	46.80	51.60	4.80	5.90
SJG-10-215	186.80	190.27	3.47	15.82
SJG-10-216	39.24	42.20	2.96	12.36
SJG-10-217	182.64	184.06	1.42	89.95
SJG-10-221	69.98	71.98	2.00	13.14
SJG-10-223	63.90	67.42	3.52	10.24
SJG-10-224	148.60	154.95	6.35	7.04
and	151.60	154.95	3.35	11.93

The bulk of this drilling was located in the San Pablo vein system and was mainly infill drilling to improve the resource category.

1.2.3 Cerro Colorado (Operating Mine)

Status of Operations
At the Cerro Colorado gold mine the Company produced 20,187 ounces of gold in 2010. During the quarter ended December 31, 2010, Mark Henry was appointed as the new Mine Operations Manager.

Since the RTO of Sierra, 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 was completed in the fourth quarter 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 its historically lower levels, which will reduce the mining cost per ton of ore.
- 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 the two key staff members, the operation production capabilities are expected to improve 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.

The Company expects to produce between 20,000 and 25,000 ounces in 2011.

Summary of Operating Results

A summary of key mining statistics for the three months ended December 31, 2010 is as follows:

- Production of 4,367 ounces of gold for Q4 2010 compared to 5,338 during Q4 2009.
- Average grade mined in Q4 2010 was 0.50 g/t Au compared to 0.70 g/t Au in Q4 2009.
- Tonnes mined increased 10% to 1.556 million in Q4 2010 compared to 1.253 million in Q4 2009.
- On a non-RTO basis the cash cost per ounce of gold sold for the twelve months ended December 31, 2010 was $1,026 compared to $701 for 2009. The high cash cost per ounce was a result of increased waste stripping required in the 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 December 31, 2010 financial results. The results above are actual results for the periods discussed.)

1.2.4 Highlights

Consolidated Financial and Operating Highlights ***(expressed in 000’s)***	**Three months ended December 31,**		**Twelve months ended December 31,**	
	2010	2009[(a)]	**2010**[(a)]	2009[(a)]
Gold ounces – produced [(a)]	**4,048**	-	**12,693**	-
Gold ounces – sold [(a)]	**4,482**	-	**13,169**	-
Metal sales	**$6,188**	$-	**$16,877**	$-
Cost of sales [(b)]	**$4,653**	$-	**$14,484**	$-
Accretion, depreciation, depletion and amortization	**$780**	$-	**$2,097**	$-
Mine operating earnings	**$755**	$-	**$296**	$-
Net loss	**$(1,911)**	$(238)	**$(8,853)**	$(1,522)
Basic and fully diluted loss per share	**$(0.02)**	$(0.01)	**$(0.11)**	$(0.04)
Cash flow consumed by operating activities, before changes in non-cash operating working capital	**$(438)**	$(468)	**$(4,999)**	$(1,900)
Average realized gold price per ounce sold [(a)]	**$1,376**	$-	**$1,274**	$-
Cost of sales per ounce sold [(c)]	**$1,139**	$-	**$1,096**	$-

(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 December 31, 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 twelve months ended December 31, 2010 includes an increase for the non-cash fair value adjustment to inventory for $45 and a reduction for the silver by-product credit of $93. Cost of sales per ounce sold for the three months ended December 31, 2010 includes an increase for the non-cash fair value adjustment to inventory for $474 and the silver by-product credit of $24. See “Non-GAAP Financial Measures”.

1.2.5 Developments During and Subsequent to the Year Ended December 31, 2010

Short Form Prospectus Offering

On March 10, 2011 the Company completed a short form prospectus financing of 25 million common shares at a price of C$1.40 per share, for gross proceeds of C$35,000. In connection with the offering the underwriters exercised an overallotment option, in full, to acquire an additional 3.75 million common shares at C$1.40 per share, for gross proceeds of C$5,250. Share issue costs on this financing are estimated to be $3,250 which were paid to arm's lengths parties. The net proceeds received were C$37,000.

50% Earn-in of Dyna Mexico

On March 10, 2011 the Company completed its Earn in/Option agreement with DynaMexico for its 50% equity interest by reaching the expenditure funding requirement of $18,000. The Company will continue to account for its investment in DynaMexico using the equity method.

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".

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 $25,000. The Company simultaneously paid $1,700 to discharge a royalty interest on the property held by a third party to net $23,300 in sale proceeds on the transaction. The taxes on the sale of El Porvenir were approximately $2,000. On July 15, 2010, the Company used part of the sale proceeds to repay in full, the $3,250 bridge loan.

Impairment of Goodwill

The 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 resources, measured, indicated and inferred resources. On September 30, 2010, the Company determined that it could not support the carrying value of this goodwill and as a result the Company recorded a goodwill impairment charge of $16,673.

1.2.6 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.

On January 10, 2011 the Company announced the appointment of Dr. Paul Zweng to the Board of Directors. Dr. Zweng will be joining the audit committee.

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").

1.2.7 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 twelve month periods ended December 31, 2010 and 2009 was $1,368 and $1,226 respectively, per ounce. London P.M. fixings of the gold price during the twelve month period ranged from a low of $1,058 per ounce on February 5, 2010 to a high of

$1,421 per ounce on November 9, 2010. These prices compare with averages of $1,100 and $973 per ounce respectively during the three and twelve month periods ended December 31, 2009. Prices for the year ended December 31, 2009 ranged from a low of $810 per ounce to a high of $1,213 per ounce. The Company realized an average price of $1,375 per ounce on its sales of gold during the fourth quarter of 2010 compared to an average realized price of $1,101 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. On a non-RTO basis, the Company realized an average price of $1,218 per ounce on its sales of gold during the year ended December 31, 2010 compared to an average realized price of $973 for 2009 and compared to the London P.M. fix for 2010 of $1,226 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.

1.3 Selected Annual Information

Three and twelve months ended December 31, 2010 versus December 31, 2009

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 December 31, 2010.

(expressed in 000's)	**Three months ended December 31,**		**Twelve months ended December 31,**	
	2010[b]	2009[b]	**2010**[b]	2009[b]
Metal sales	**$6,188**	$ -	**$16,877**	$ -
Cost of sales [a]	**(4,653)**	-	**(14,484)**	-
Depreciation, depletion and amortization	**(768)**	-	**(2,063)**	-
Accretion	**(12)**	-	**(34)**	-
Mine operating earnings	**755**	-	**296**	-
General and administrative	**2,277**	478	**4,679**	1,648
Transaction costs	**-**	-	**395**	-
Exploration	**38**	-	**404**	-
Amortization	**11**	11	**45**	40
Stock-based compensation	**345**	14	**1,179**	18
Foreign exchange loss (gain)	**(425)**	(2)	**(466)**	292
Write-off of inventory and equipment	**3**	-	**533**	-
Gain on sale of El Porvenir	**371**	-	**(16,787)**	-
Impairment of goodwill	**-**	-	**16,673**	-
Equity in loss of DynaMexico	**57**	(38)	**128**	7
Interest and other	**(1)**	(8)	**93**	(40)
Unrealized gain on change in fair value of investment	**-**	(284)	**-**	(807)
Loss on sale of investment	**1**	-	**131**	-
Financing fees	**-**	-	**119**	-
Income tax expense – current	**(227)**	-	**2,347**	-
Income tax expense (recovery) – future	**216**	66	**(324)**	364
Net loss	**$(1,911)**	$(237)	**$(8,853)**	$(1,522)
Loss per share – basic and diluted	**$(0.02)**	$(0.01)	**$(0.11)**	$(0.04)

(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.

1.4 Results of Mining Operations

Three and twelve months ended December 31, 2010 versus December 31, 2009
Cerro Colorado Gold Mine (100% ownership)

Operating Statistics [(a)]	Three months ended December 31,		Twelve months ended December 31,	
	2010	2009	**2010**	2009
Tonnes mined	**1,556,465**	1,253,243	**5,785,915**	4,901,645
Waste	**1,106,517**	804,688	**4,091,375**	2,980,250
Ore	**449,948**	448,555	**1,694,540**	1,921,395
Grade (g/t Au)	**0.50**	0.70	**0.55**	0.66
Gold ounces mined	**7,455**	9,882	**30,436**	40,040
Gold ounces – produced	**4,367**	5,338	**20,187**	20,546
Gold ounces – sold	**4,482**	5,165	**20,702**	20,749
Operating Financial Data [(a)] ***(expressed in 000's)***				
Mine operating income (loss)	**$755**	$nil	**$296**	$nil
Plant and equipment	**$131**	$nil	**$851**	$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 December 31, 2010 versus December 31, 2009

- The Company mined 1,556,465 tonnes during the three months ended December 31, 2010 of which 449,948 tonnes of ore having an average grade of 0.50 g/t Au were mined compared to 1,253,243 tonnes mined during the three months ended December 31, 2009 of which 448,555 tonnes of ore, having an average grade of 0.70 g/t Au were mined. Overall, tonnes mined for the period increased 24% 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 December 31, 2010 was 4,367 ounces compared to 5,338 during the quarter ended December 31, 2009. This 18% 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 December 31, 2010 were 4,482 ounces at an average realized price of $1,376 per ounce compared to 5,165 ounces sold at an average realized price of $1,101 for the quarter ended December 31, 2009.
- Operating costs for the quarter ended December 31, 2010 were $4,653 or $1,139 per ounce of gold sold including a non-cash inventory adjustment increase of $106 and silver by-product credits of $5 per ounce, compared to $4,323 or $837 per ounce of gold sold for quarter ended December 31, 2009, before silver by-product credits of $7 per ounce. This represents an increase of $302 per ounce over the fourth 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 December 31, 2010 were $131 compared to $338 during the same period in 2009 (non-RTO basis). During the fourth quarter of 2010, the majority of capital expenditures related the purchase of a new trailer, generator and a new drill.

Year ended December 31, 2010 versus December 31, 2009

- The Company mined 5,785,915 tonnes during the year ended December 31, 2010 of which 1,694,540 tonnes of ore having an average grade of 0.55 g/t Au were mined compared to 4,901,645 tonnes mined during the year ended December 31, 2009 of which 1,921,395 tonnes of ore, having an average grade of 0.66 g/t Au were placed on the leach pad. Overall, tonnes mined for the year increased 18% over the prior year period, primarily due to the use of an additional haul trucks during 2010 period compared to last year.
- Production for the year ended December 31, 2010 was 20,187 ounces compared to 20,546 ounces during 2009 resulting in a 2% decrease over the prior year. The decrease in production was primarily the result the increased removal of waste to allow for proper pit development access to a higher grade ore zone.
- Gold sales for 2010 was 20,702 ounces at an average realized price of $1,218 per ounce compared to 20,749 ounces sold at an average realized price of $973 for 2009. On a RTO basis, the mine recorded metal sales of $16,877 during the year (May 1, 2010 to December 31, 2010) compared to $nil during the prior year. On a non-RTO basis, the mine recorded metal sales of $25,212 during 2010 compared to $20,312 during 2009.
- Operating costs for the year ended December 31, 2010 were $14,484 or $1,096 per ounce of gold sold including a non-cash inventory adjustment increase of $3 and silver by-product credits of $7 per ounce, compared to $14,671 or $707 per ounce of gold sold before silver by-product credits of $6 per ounce for the year ended December 31, 2009. This represents an increase of $389 per ounce over 2009. The cost per ounce was higher during the year 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, on a non-RTO basis, during the year ended December 31, 2010 were $3,065 compared to $1,251 during 2009. During 2010, the majority of capital expenditures related to the new crusher, adding new crusher circuits, the purchase of a CAT 992C loader, the purchase of a CAT 773B haul truck, rebuilt engines for a loader and haul truck, new pick-up trucks, liner and pipe for the new leach pad the purchase of a two new drills at the mine.

1.5 Summary of Quarterly Results

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.

(expressed in 000's)	**Annual Dec 2010 (audited)**	**Q4 Dec 2010 (unaudited)**	**Q3 Sept 2010 (unaudited)**	**Q2 June 2010 (unaudited)**	**Q1 Mar 2010 (unaudited)**
Revenue	$16,877	$6,188	$5,317	$5,372	nil
Earnings (loss) from mining operations	$296	$755	$(241)	$(354)	nil
Net loss	$(8,853)	$(1,911)	$(3,282)	$(2,868)	$(792)
Total Assets	$76,645	$76,645	$75,576	$85,660	$39,859
Total Long-Term Financial Liabilities	$537	$537	$525	$514	nil
Loss per share – basic and diluted	$(0.11)	$(0.02)	$(0.04)	$(0.04)	$(0.01)

(expressed in 000's)	**Annual Dec 2009 (audited)**	**Q4 Dec 2009 (unaudited)**	**Q3 Sept 2009 (unaudited)**	**Q2 June 2009 (unaudited)**	**Q1 Mar 2009 (unaudited)**
Revenue	nil	nil	nil	nil	nil
Loss from mining operations	nil	nil	nil	nil	nil
Net loss	$(1,522)	$(237)	$(184)	$(461)	$(640)
Total Assets	$35,148	$35,148	$18,307	$16,970	$16,204
Total Long-Term Financial Liabilities	nil	nil	nil	nil	nil
Loss per share – basic and diluted	$(0.04)	$(0.01)	$(0.00)	$(0.01)	$(0.02)

1.6 Liquidity

Goldgroup's cash and cash equivalents increased by $12,139 during the year ended December 31, 2010 as compared to a decrease of $6,658 over 2009. As at December 31, 2010, the ending cash balance was $12,654 (December 31, 2009 - $515).

Working Capital
As at December 31, 2010, the Company had working capital of $17,306 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 twelve month periods ended December 31, are provided below:

(expressed in 000's)	**Three months ended December 31,**		**Year ended December 31,**	
Changes in Cash and Cash Equivalents	**2010**	2009	**2010**	2009
Consumed by operating activities – gross	**$ (438)**	$ (468)	**$(4,999)**	$ (1,900)
Changes in non-cash operating working capital	**(1,106)**	141	**(1,073)**	(128)
Consumed by operating activities - net	**(1,499)**	$ (327)	**(6,072)**	(2,028)
Investing activities	**(3,749)**	(1,869)	**14,409**	(5,224)
Financing activities	**3,157**	-	**3,744**	-
Effect of exchange rate changes	**-**	(19)	**58**	594
Increase (decrease) in cash and cash equivalents	**(2,136)**	(2,215)	**12,139**	(6,658)
Beginning of period	**14,790**	2,730	**515**	7,174
End of period	**$ 12,654**	$ 515	**$ 12,654**	$ 515

Year ended December 31, 2010 versus December 31, 2009

Operating Activities
Cash flow used by operating activities before changes in non-cash operating working capital during the year ended December 31, 2010 was $4,999 compared to $1,900 during 2009. The main cause of negative operating cash flow in the fourth 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 2010 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 and the former President of the Company.

Investing Activities
During the year ended December 31, 2010, the Company generated cash of $14,409 compared to the consumption of $5,224 in 2009. During the year ended December 31, 2010, the Company received $23,300 from the sale of El Porvenir, net of $1,700 royalty settlement, acquired net cash of $516 on the RTO of Sierra, spent $11,651 on plant and equipment, mineral property costs, the equity investment in DynaMexico, and received net $2,244 from the purchase and sale of investments. 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, a generator and two new drills 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 commenced work on an 18,500 meter drill program. At the corporate level, the Company had a net cash inflow of $2,244 on the sale and purchases of Sierra shares.

Financing Activities
During the year ended December 31, 2010, cash flow generated in financing activities was $3,744 compared to $nil in 2009. During the year ended December 31, 2010, the Company received $8,697 from private placements, net of share issuance costs of $175, received $541 on the exercise of options

and $18 on the exercise of warrants. In addition the Company made principal repayments of $4,896 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 $12,654 available at December 31, 2010, an increase of $12,139 from the balance at December 31, 2009 of $515, while working capital increased by $19,320 to $17,306 at December 31, 2010 from $(2,014) at December 31, 2009.

With the sale of the El Porvenir gold property for net proceeds of $23,300 on July 12, 2010 and the C$40,250 raised from the March 10, 2011 short form prospectus financing, the Company is well positioned to fund any upcoming exploration on its 50% equity 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.

1.7 Capital Resources

On November 26, 2010, the Company closed a private placement of 3,000,000 units at C$1.00 per unit for gross proceeds of $3,000. Each unit consisted of one Common Share and one warrant to purchase one additional Common Share at C$1.25 per Common Share until November 26, 2015. The securities issued in connection with the private placement are subject to a four month hold period expiring March 27, 2011. A cash commission equal to 6% of the gross proceeds was paid in connection with the private placement. The proceeds from this financing have not been spent to date and are part of the Company's current working capital position.

On June 7, 2010 the Company obtained a bridge loan of $3,250 from Auramet Trading, LLC to complete its acquisition of its interest in the Caballo Blanco Project (the "Bridge Loan"). The Company pledged the shares of its wholly owned subsidiary, Granmin Malaysia, Ltd., which owns the operating mine, Cerro Colorado, as security. The Bridge Loan accrued interest at a rate of 10% per annum, payable on a monthly basis commencing July 1, 2010. The Company paid a 3% financing fee of $98 and issued 100,000 warrants to Auramet Trading, LLC, exercisable at $1.00, expiring June 18, 2011. In the event that the warrants are not exercised, a $25payment is due.

On March 4, 2010 the Company closed a non-brokered private placement financing of 6,060,000 common shares at a price of $0.97 (C$1.00) per share, for gross proceeds of $5,878. Share issue costs on this financing were $93 of which $90 were financing fees paid to arm`s length parties.

1.8 Off-Balance Sheet Arrangements

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

1.9 Transactions with Related Parties

At December 31, 2010, receivables include $39 (2009 - $29) owing from Uracan Resources Ltd. ("Uracan") and $5 (2009 – $2) owing from an officer of the Company. The amount owing from Uracan is for its unpaid share of rent, administration staff salary and general office expenses. The companies share common office premises and have entered into a cost sharing arrangement, effective February 1, 2007.

At December 31, 2010, accounts payable and accrued liabilities includes $11 (2009 – $61) owing to an officer.

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.

1.10 Fourth Quarter

Fourth quarter 2010 vs. Fourth quarter 2009

- During the fourth quarter of 2010, the Cerro Colorado gold mine produced 4,367 ounces of gold compared to 5,338 during the comparative period of 2009.
- Gold sales during the fourth quarter of 2010 were 4,481 ounces at an average gold price of $1,376 per ounce compared to 5,165 ounces at an average gold price of $1,100 per ounce during the fourth quarter of 2009. As a result of the RTO accounting, metal sales revenue during the quarter ended December 31, 2010 was $6,165 compared to $nil during the fourth quarter of 2009.
- The mine experienced operating earnings of $755 for the quarter ended December 31, 2010 compared to $nil during the same period of 2009, as a result of the RTO.
- Overall, the Company recorded a net loss of $1,911 or $0.02 loss per share for the quarter ended December 31, 2010 compared to $237 or $0.01 loss per share for the fourth quarter ended December 31, 2009.
- Cost of sales of $4,653 represented cash operating costs at the Cerro Colorado gold mine for the period October 1st to December 31st, 2010 or $1,139 per ounce of gold sold including a non-cash inventory adjustment increase of $106 and 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 $768 during the three months ended December 31, 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 fourth quarter of 2009. The majority of the depreciation expense is calculated on a unit-of-production basis.
- General and administrative costs were $2,277 for the quarter ended December 31, 2010 compared to $478 during the fourth quarter ended December 31, 2009. The increase is principally due to an increase in size of the Company compared to 2009 and an increase in financing activities.
- Stock-based compensation for the three months ended December 31, 2010 was $345 compared to $15 in the fourth 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 gain of $425 during the quarter ended December 31, 2010 compared to $2 during the same period in 2009.
- Current income tax recovery was $227 during the fourth quarter of 2010 which related to the gain on sale of El Porvenir. A future income expense of $216 was recorded during the fourth quarter ended December 31, 2010 compared to $66 in the December 31, 2009 period.

1.11 Proposed Transactions

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

1.12 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 audited consolidated financial statements for the year ended December 31, 2010.

Use of Estimates

The preparation of financial statements in conformity with Canadian 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. Management makes various estimates and assumptions in determining the reported amounts of assets and liabilities, revenues and expenses for each year presented, and in the disclosure of commitments and contingencies. Changes in estimates and assumptions will occur based on the passage of time and the occurrence of certain future events. 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 receivables, the quantities of product inventory, the amount of ore resources and related amortization and depletion, the expected recovery rate of those mineral resources, foreign exchange rates, 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 differ by a material amount.

Inventories

Finished goods (doré inventory), work-in-process inventories and heap leach ore are valued at the lower of average production cost or net realizable value. Doré represents a bar containing predominantly gold by value which must be refined offsite to return saleable metals. Net realizable value is the amount estimated to be obtained from sale of the inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale. The production cost of inventories is determined on a weighted average basis and includes cost of raw materials, direct labour, mine-site overhead and depreciation, depletion and amortization of mineral properties.

The recovery of gold and by-products from oxide ores is achieved through the heap leaching process at the Cerro Colorado mine. Under this method, ore is placed on leach pads where it is treated with a chemical solution which separates the gold contained in the ore. The time required for the majority of the gold to be recovered utilizing heap leaching is over a period of up to 120 days. The resulting "pregnant" solution is further processed in a plant where the gold is recovered. Operating costs at each stage of the process are capitalized and included in work-in-process inventory based on current mining and leaching costs, including applicable depreciation, depletion and amortization relating to the mineral property, plant and equipment. Costs are removed from heap leach inventory as ounces of gold doré are produced at the average cost per ounce per recoverable ounce of gold on the leach pads. Estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the leach pads (measured tonnes added to leach pads), the grade of ore placed on the leach pads (based on assays analysis), and a recovery percentage (based on testing and ongoing monitoring of the rate of gold recoveries).

Consumable supplies and spare parts expected to be used in production are valued at the lower of weighted average cost or net realizable value

Plant and Equipment

Plant and equipment are carried at net book value and are recorded at acquisition cost less accumulated amortization and depreciation. Costs of additions and improvements are capitalized. When assets are retired or sold, the resulting gains or losses are reflected in earnings. The carrying values of plant and equipment are periodically assessed by management and if management determines that the carrying values cannot be recovered, the asset is written down to fair value and charged against earnings.

Assets used in commercial production are subject to depreciation, amortization and depletion over their estimated useful lives. For buildings and machinery, the unit-of-production method is applied where the mine operating plan calls for production from well-defined mineral deposits. Where total mineral deposits are not determinable because ore bearing structures are open at depth or are open laterally, the straight-line method is applied over the estimated life of the mine.

Major overhaul expenditures on mobile equipment, including replacement spares and labour costs, are capitalized and amortized over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance of the mobile equipment are charged to operating costs if it is not probable that future economic benefits embodied within the item overhauled will flow to the Company.

Mineral Properties

The Company capitalizes costs, on a property by property basis, of acquiring, maintaining its interest in, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Administrative costs and general exploration costs are expensed as incurred. Costs of producing properties are amortized on a unit of production basis on estimated proven and probable resources over the estimated economic life of the mine. No depreciation or depletion is charged against the property until commercial production commences.

Recovery of capitalized costs is dependent on successful development of economic mining operations or the disposition of the related mineral property. Proceeds received on the sale of an interest in a mineral

property is credited to the carrying value of the mineral property, with any excess included in operations. Write-downs due to an impairment in value are charged to operations.

After a mineral property has been brought into commercial production, costs of any additional work on that property are expensed as incurred, except for large development programs, which will be deferred and depleted over the remaining life of the related assets. Stripping costs incurred in the production phase of a mining operation are accounted for as production costs and are included in the costs of inventory produced, unless the stripping activity can be shown to be a betterment of the mineral property, in which case the stripping costs are capitalized. Betterment occurs when stripping activity increases future output of the mine by providing access to additional resources. Capitalized stripping costs are amortized on a unit-of-production basis over the economically recoverable proven and probable ounces of gold to which they relate. Exploration expenditures are expensed as incurred, unless the nature of the expenditures are to convert mineral resources into mineral reserves or in the absence of a NI 43-101 mineral resource estimate, are to define areas to be included in the mine plan. Any amounts deferred in this regard are depreciated on a units-of-production basis.

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

Income taxes are accounted for under the liability method. Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of assets and liabilities and their respective income tax bases (temporary differences) and loss carry forwards. Future income tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the substantive enactment date. Future tax assets are reduced by a valuation allowance to the extent that the recoverability of the asset is not considered to be more likely than not that the future income tax assets will be realized.

Revenue Recognition

Revenue from the sale of metals is recognized when the significant risks and rewards of ownership have passed. This is when persuasive evidence of an arrangement exists, title and insurance risk passes to the buyer, collection is reasonably assured and the sales price is reasonably determinable.

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.

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 resources 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 resources, commodity prices, foreign exchange rates, 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 management's estimates and the expected recoverability of the investments in long-lived assets.

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.

1.13 Change in Accounting Policies including Initial Adoption

New Accounting Pronouncements

In January 2009, the CICA issued Handbook Sections 1582 – *Business Combinations* ("Section 1582"), 1601 – *Consolidated Financial Statements* ("Section 1601") and 1602 – *Non-controlling Interests* ("Section 1602") which replace CICA Handbook Sections 1581 – *Business Combinations* and 1600 – *Consolidated Financial Statements.* Section 1582 establishes standards for the accounting for business combinations that are equivalent to the business combination accounting standards under International Financial Reporting Standards ("IFRS"). Sections 1601 and 1602 establish standards for preparation of consolidated financial statements and the accounting for non-controlling interests in financial statements that are equivalent to the standards under IFRS. Section 1582 is required for the Company's business combinations with acquisition dates on or after January 1, 2011. Sections 1601 and 1602 are required for the Company's interim and annual consolidated financial statements for its fiscal year beginning on January 1, 2011. Earlier adoption of these sections is permitted, which requires that all three sections be adopted at the same time. The Company has early adopted these sections effective January 1, 2010.

As a result of the Section 1582 definition of a business being an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return to its investors and owners, acquisitions of exploration properties, including the reverse take-over of Sierra (Note 3) completed on April 30, 2010, is accounted for as a business combination. The adoption of Section 1582 will also have an impact on the treatment of transaction costs relating to this business combination. Transaction costs accounted for under Section 1582 are no longer capitalized but rather, expensed as incurred. There was no impact on the financial statements for the adoption of Sections 1601 and 1602.

1.14 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 and accounts payable and accrued liabilities.

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 Consolidated Financial Statements for the year ended December 31, 2010.

1.15 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. The Company has assessed the IFRS impact related to this combination and identified the policies to be used under IFRS. 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 $2,900 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.

1.16 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 March 2, 2011 Short Form Prospectus and the AIF is available on the SEDAR website at www.sedar.com.

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.

Qualified Person

Unless otherwise indicated, Goldgroup and Kevin James Sullivan, B.Sc. M.AusIMM, Goldgroup's Vice-President, Exploration, who is the qualified person for the purpose of NI 43-101 have reviewed, verified and compiled the scientific and technical information in this MD&A ("Technical Information") in accordance with National Instrument 43-101 – Standards of Disclosure for mineral projects ("NI 43-101") based on information contained in the technical reports and news releases ("collectively the "Disclosure Documents") available under Goldgroup's company profile on SEDAR at www.sedar.com and on the Company's website. Each Disclosure Document was prepared by or under the supervision of a qualified person (a "Qualified Person") as defined in National Instrument 43-101- Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators ("NI 43-101"). Readers are encouraged to review the full text of the Disclosure Documents which qualifies the Technical Information. Readers are advised that mineral resources that are not mineral reserves do not have demonstrated economic viability. The Disclosure Documents are each intended to be read as a whole and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

1.16.1 Disclosure of Outstanding 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 March 25, 2011, there were 119,955,038 common shares issued and outstanding.

As at March 25, 2011, the Company also had the following options and warrants issued and outstanding:

- 8,586,183 common share purchase options with a weighted average exercise price of C$0.85 expiring at various dates to January 31, 2015.
- 3,100,000 common share purchase warrants with an average exercise price of C$1.24, with 100,000 expiring on June 18, 2011 and 3,000,000 expiring on November 26, 2015.

1.16.2 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, has conducted an evaluation of the design effectiveness of the Company's control over financial reporting based on the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Company's management has concluded that internal control over financial reporting was effective as of December 31, 2010 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP.

During the third quarter, management identified an additional internal control deficiency that it determined was a material weakness. During the quarter ended September 30, 2010, 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 did not update these budgets based on current operating performance. During the fourth quarter management prepared a new operational budget for the Cerro Colorado mine. As a result of this change in internal controls, management has concluded that this material weakness has been effectively remediated.

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.

1.16.3 Disclosure Controls and Procedures

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's Chief Executive Officer and Chief Financial Officer

have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the appropriate time periods and is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

1.16.4 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 year ended December 31, 2010, which only include the operating results from the mine from May 1, 2010 to December 31, 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 December 31, 2010.

Cash Costs – RTO Basis – May 1, 2010 to December 31, 2010

	Three months ended December 31,	Eight months ended December 31,
(audited- expressed in 000's)	**2010**	**2010**
Cost of sales (excluding accretion, depreciation, depletion and amortization)	**$ 4,653**	**$ 14,484**
Non-cash fair value adjustment [(a)]	**474**	**45**
Silver by-product credit	**(24)**	**(93)**
	$ 5,103	**$ 14,436**
Gold ounces sold	**4,482**	**13,169**
Total cash costs ($/oz. sold)	**$ 1,139**	**$ 1,096**
Breakdown of cost per ounce sold		
Direct operating costs	**$ 1,105**	**$ 1,071**
2.5% - 3.0% NSR Royalty [(b)]	**39**	**32**
Less: silver by-product credits	**(5)**	**(7)**
Total cash costs ($/oz. sold)	**$ 1,139**	**$ 1,096**

(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 December 31, 2010

	Three months ended December 31,		Year ended December 31,	
(audited – expressed in 000's)	**2010**	2009	**2010**	2009
Cost of sales (excluding accretion, depreciation, depletion and amortization)	**$ 4,653**	$ 4,323	**$ 20,932**	$ 14,671
Non-cash fair value adjustment [a)]	**474**	-	**-**	-
Silver by-product credit	**(24)**	(35)	**(223)**	(131)
	$ 5,103	$ 4,288	**$ 20,709**	$ 14,539
Gold ounces sold	**4,482**	5,165	**20,187**	20,749
Total cash costs ($/oz. sold)	**$ 1,139**	$ 830	**$ 1,026**	$ 701
Breakdown of cost per ounce sold				
Direct operating costs	**$ 1,105**	$ 809	**$ 1,008**	$ 682
2.5% - 3.0% NSR Royalty [(b)]	**39**	28	**29**	25
Less: silver by-product credits	**(5)**	(7)	**(11)**	(6)
Total cash costs ($/oz. sold)	**$ 1,139**	$ 830	**$1,026**	$ 701

(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%.

1.16.4 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 year the Company entered into a consulting contract with Michael Baybak & Company Inc. for investor relation services whereby the Company pays $5 per month and issued 200,000 stock options at an exercise price of C$1.00 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 per month and issued 200,000 stock options at an exercise price of C$1.00 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 $23 and issued 125,000 stock options at an exercise price of C$1.00 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 per month for a period of six months and issued 150,000 stock options at an exercise price of C$1.00.

1.16.4 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:

Actual capital costs, operating costs and expenditures, economic returns may differ significantly from 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 metals prices, cut-off grades, operating costs, capital costs, and expenditures and other factors that each may prove to be inaccurate. Therefore, such studies and reports may prove to be unreliable. For example, significant declines in market prices for base and precious metals or extended periods of inflation would have an adverse effect on any economic projections. In addition, any material reductions in estimates of mineralization or increases in capital costs and expenditures, or in Goldgroup's ability to maintain a projected budget or renew a particular mining permit, could also have a material adverse effect on projected production schedules and economic returns, as well as on Goldgroup's overall results of operations or financial condition. There is also a risk that rising costs for labour and material could have an adverse impact on forecasted construction costs and that shortages of labour and material could have a negative impact on any mine development schedule.

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

General economic conditions may adversely affect our growth and profitability.

The events in global financial markets in the latter part of 2008 have had a profound impact on the global economy. Many industries, including the precious and base metals mining industry, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect Goldgroup's growth and profitability. Specifically:

- the global credit/liquidity crisis could impact the cost and availability of financing and Goldgroup's overall liquidity;
- the volatility of metal prices would impact Goldgroup's revenues, profits, losses and cash flow;
- volatile energy prices, commodity and consumables prices and currency exchange rates would impact Goldgroup's production costs; and
- the devaluation and volatility of global stock markets would impact the valuation of Goldgroup's equity and other securities.

These factors could have a material adverse effect on Goldgroup's financial condition and results of operations.

Goldgroup relies substantially on the Cerro Colorado Mine

All of Goldgroup's revenues in the current and prior years have been generated by the Cerro Colorado Mine. The Cerro Colorado Mine entered the production phase in 2003. Therefore, unless Goldgroup develops or acquires additional properties or projects, Goldgroup will remain largely dependent upon the operation of the Cerro Colorado Mine for its revenue and profits, if any. If for any reason production at the Cerro Colorado Mine was reduced or stopped, Goldgroup's revenues and profits would decrease significantly.

Goldgroup may acquire or dispose of businesses or assets

Goldgroup periodically evaluates opportunities to acquire or dispose of mining assets, properties and businesses. Any acquisitions or dispositions may be significant in size, may change the scale of Goldgroup's business, and may expose Goldgroup to new geographic, political, operating, financial and geological risks. Goldgroup's success in its acquisition or disposition activities depends on its ability to identify suitable acquisition or disposition candidates, acquire or dispose of them on acceptable terms and integrate acquired operations successfully. Any acquisitions would be accompanied by risks such as a significant decline in the relevant metal price after Goldgroup commits to complete an acquisition on certain terms; the quality of the mineral deposit acquired proving to be lower than expected; the difficulty of assimilating the operations and personnel of any acquired companies; the potential disruption of Goldgroup's ongoing business; the inability of management to realize anticipated synergies and maximize the financial and strategic position of Goldgroup; the failure to maintain uniform standards, controls, procedures and

policies; the impairment of relationships with employees, customers and contractors as a result of any integration of new management personnel, and the potential unknown liabilities associated with acquired assets and businesses. There can be no assurance that any assets or business acquired will prove to be profitable or that Goldgroup will be able to integrate the required businesses successfully, which could slow Goldgroup's rate of expansion and Goldgroup's business, results of operations and financial condition could suffer.

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

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

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

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

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

Potential Conflicts with DynaUSA

There exists potential for conflicts with DynaUSA which is the other 50% equity owner of DynaMexico. Goldgroup currently appoints one of three members of the DynaMexico directors and appoints two of three members of DynaMexico's management committee, which oversees the expenditures and approves the budgets for such expenditures. The new board of DynaMexico will be comprised of five members with DynaUSA and Goldgroup each appointing two members and mutually agreeing on one additional member. The Company is currently in the process of changing the structure of ownership and operations as a result of obtaining the 50% equity interest on March 14, 2011. The inherent structure of ownership and operations has the potential for conflicts that could materially affect operations of San José de Gracia.

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.

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, cost 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.

Outside Contractor Risks

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

Risks related to archaeological sites

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

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

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

Goldgroup's operations are subject to political and country risk

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

- cancellation or renegotiation of contracts;
- changes in foreign laws or regulations;
- changes in tax laws;
- royalty and tax increases or claims by governmental entities;
- retroactive tax or royalty claims;
- expropriation or nationalization of property;
- inflation of costs that is not compensated by a currency devaluation;
- restrictions on the remittance of dividend and interest payments offshore;

- environmental controls and permitting;
- risks of loss due to civil strife, acts of war, guerrilla activities, insurrection and terrorism, and
- other risks arising out of foreign sovereignty over the areas in which Goldgroup's operations are conducted.

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

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

Goldgroup may not have adequate surface rights
Goldgroup may require additional surface rights to exploit the resources on its properties. Goldgroup may need to negotiate with private landowners for the additional surface rights it may require. Surface rights may also be regulated and restricted by applicable law. There is no assurance that Goldgroup will be able to obtain the required surface rights to allow it to develop its properties and establish commercial mining operations.

Goldgroup is subject to risks relating to environmental matters
All phases of Goldgroup's operations are subject to environmental regulation in the various 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 future changes in environmental regulation, if any, will not adversely affect Goldgroup's operations. Environmental hazards may exist on Goldgroup's properties which are unknown to Goldgroup at present which have been caused by previous or existing owners or operators of the properties.

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

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

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

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

Goldgroup may need to raise additional capital

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

Foreign currency risks

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

Goldgroup's directors and officers may have conflicts of interest

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

Risks Related to the Cerro Colorado Mine

Planned expansion may not be successful

There is no assurance that the Company's current or future exploration programs near the Cerro Colorado Mine will result in any new economically viable mining operations or yield mineral reserves. While historically the mine has been economically productive, there can be no assurance that new mineral resources, if any, can be mined profitably. Ultimately, economic factors beyond the control of the Company may result in the mine being unable to operate at a profit. Further regulatory approvals and permits which may be required for any expansion of the mine may not be obtained. The Company's estimates of the costs of completing the expansion project and of operating the mine are subject to many uncertainties which may cause such costs to be higher than those the Company has anticipated. In

such event, the Company may need to obtain additional capital to pursue its business plan with respect to the Cerro Colorado Mine.

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

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

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

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

Theft

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

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, and those in the "Risks and Uncertainties" 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.

Cautionary note to U.S. Investors: The terms "measured mineral resource", "indicated mineral resource", and "inferred mineral resource" used in this management discussion and analysis are Canadian geological and mining terms as defined in accordance with National Instrument 43-101. Standards of Disclosure for Mineral Projects ("NI 43-101") under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the CIM) Standards on Mineral Resources and Mineral Reserves. We advise U.S. Securities and Exchange Commission ("SEC") does not recognize them. "Inferred mineral resources" in particular have a great amount of uncertainty as to their existence, and great uncertainty as to their feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not generally form the basis of feasibility or other economic studies. U.S. investors are

cautioned not to assume that any part of an inferred mineral resource exists, or is economically or legally mineable. Disclosure of contained metal expressed is in compliance with NI 43-101, but does not meet the requirements of Industry Guide 7 of the SEC, which will only accept the disclosure of tonnage and grade estimates for non-reserve mineralization.