



GOLDGROUP MINING INC.
Management's Discussion and Analysis
For the Three and Nine Months Ended September 30, 2011

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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. ("Goldgroup" or the "Company") together with its subsidiaries as of November 14th, 2011, and is intended to supplement and complement the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2011. 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 condensed interim consolidated financial statements and MD&A are presented in United States ("US") dollars, except where noted, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This discussion addresses matters we consider important for an understanding of our financial condition and results of operations as of and for the three and nine months ended September 30, 2011.

For all periods up to and including the year ended December 31, 2010, Goldgroup prepared its financial statements in accordance with generally accepted accounting principles in Canada ("Canadian GAAP"). The condensed consolidated financial statements for the year ending December 31, 2011 will be the first annual financial statements Goldgroup prepares using IFRS. An explanation of the impact of the transition from Canadian GAAP to IFRS on Goldgroup's consolidated financial statements is provided in note 28 to the accompanying condensed interim consolidated financial statements as well as note 25 to Goldgroup's condensed interim consolidated financial statements for the three months ended March 31, 2011.

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.

1.2.1 Company Overview

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, the Caballo Blanco Gold Project in Veracruz and has a 50% interest in the San José de Gracia Gold Project in Sinaloa.

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

The business combination between Sierra Minerals Inc. ("Sierra") and Goldgroup Holdings Corp. ("Holdings") 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 was 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 profits and loss 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 to December 31, 2010.

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, decommissioning and restoration provisions 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.

1.2.2 Caballo Blanco Project

The Caballo Blanco project consists of 15 mineral concessions covering 55,000 hectares, 65 kilometres north northwest of Veracruz, Mexico.

On October 14, 2011 the Company completed the acquisition of the remaining 30% interest in the Caballo Blanco project held by Almaden Minerals Inc. ("Almaden"). Goldgroup now owns 100% of the Caballo Blanco gold project. The total net smelter royalty ("NSR") payable on this project will be 2.95%. (see 1.2.7 - Developments During and Subsequent to the Nine Months Ended September 30, 2011).

Goldgroup continues to advance the Caballo Blanco gold Project, in areas such as permitting, engineering studies and the consolidation of the operations team in anticipation of mine construction in the second quarter of 2012 and production in the fourth quarter of 2012.

An updated NI43-101 Resource statement and Preliminary Economic Assessment (PEA) studies were commissioned and expected to be completed by January 2012.

The Company has contracted an independent research metallurgical laboratory to complete the QA/QC of ten column leach tests at our column leach testing facility, Arroyo Agrio. To date, 41 column leach tests have been performed by company metallurgists at this facility.

The underground tunnel on La Paila commenced on September 22nd. To date, the tunnel has advanced 60 meters of which 55 meters was in mineralized vuggy silica. The estimated 10,000 tonnes of mineralized material collected from the excavation will be placed on a specially designed pad and leached using the cyanidation process for gold extraction. A scaled version of the full size process plant will treat the gold bearing cyanide solution, recovering the gold in carbon. Engineering and permitting for this project are on schedule for the start of construction in Q2 of 2012.

The Environmental Impact and Risk studies were presented to the governing environmental authority in Mexico, SEMARNAT, on November 3rd, 2011.

Exploration continued with five diamond drills, to better define and expand the current La Paila zone resource for mine planning together with, geological mapping and surface sampling in a number of areas mainly in the Northern Zone. The report of the IP geophysical survey for resistivity and chargeability, covering much of the Northern zone, which includes the La Paila and Bandera zones completed in Q4 of 2010 was received in early 2011. The assessment of the results suggests good correlation of the resistivity at La Paila with the current drilling.

On May 25th, 2011 the Company hired Richard Irvine, who is the General Manager of the Caballo Blanco project. Francisco Escandon-Valle was promoted to Technical Director of Goldgroup (corporate).

Status of Project

At Caballo Blanco, Goldgroup has expanded its previously announced 30,000 metre multi-drill program to 40,000 metres as additional mineralization has been encountered. To date, 24,000 metres have been drilled. There is still approximately 7,000 metres remaining to be drilled on the La Paila zone and then 9,000 metres of drilling to test other highly prospective areas for mineralization, including other targets at the Northern Zone as well as targets at Highway zone. The drill program is utilizing five large diameter HQ diamond drills, designed to expand and upgrade the current NI 43-101-compliant mineral resource estimate at the La Paila anomaly, which is expected to be completed in January 2012. 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. All resources are in totally oxidized material. The historical NI 43-101 resource was compiled from 32 diamond drill holes totalling approximately 7,000 metres completed by Canadian Gold Hunter Corp. (“CGH”) and NGEx Resources Inc. (“NGEx”), prior to Goldgroup’s acquisition of the Option to acquire a 70% interest in the project in November 2009.

The Company is targeting a resource sufficient to sustain 100,000 ounces of annual gold production commencing in the fourth quarter of 2012. The following initiatives are part of the exploration/development program at Caballo Blanco to achieve this objective:

- 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 north east and is progressing in other areas.
- Metallurgical column leach testing at the Company’s on site laboratory using ten six inch diameter by three metre high and four sixteen inch diameter by six metre high columns has indicated high and fast leaching recoveries, as expected. The Company has constructed four one metre diameter by six metre high columns to test and verify that, as indicated by the smaller column tests, open pit run of mine heap leaching is applicable. Initial test work indicates good recovery in line with the smaller column test results. The underground adit will give sufficient run of mine sized material for these one metre diameter test columns.
- Environmental impact risk studies, including the environmental baseline and impact statement, were presented to SEMARNAT on November 3rd. The change of soil use permit will be presented in mid-November.
- The Company has expanded its review of targets over the 50,000 hectares and identified by satellite Aster imaging a number of anomalies which are being investigated.
- On September 22nd the underground tunnel on La Paila was started in order to complete further drilling and bulk sampling for metallurgical testing and also test the high grade structures
- Soil testing at the leach pad site have recently been performed by outside consultants indicating excellent conditions for leach pad construction.
- A pilot heap leach project was commissioned in August to validate column leach metal test recoveries and demonstrate the process technology to the local authorities. The project consists of extracting mineralized material by the construction of a 2.5 metre wide x 2.8 metre high underground tunnel through the center of the La Paila ore body.

Latest Drill Results

The ongoing drill program, has produced the following diamond drill results. These results indicate similar grade and better define values shown in the 43-101 compliant resource which was based on prior drilling by NGen. All mineralized intercepts to date are in totally oxidized material.

DIAMOND DRILL CORE

Drill Hole	Mineralization			
	From (m)	To (m)	Interval (m)	Au grade (g/t)
10 CBN 54	15.20	106.25	91.05	0.70
and	122.25	128.25	6.00	0.30
and	150.25	217.05	66.80	0.82
10 CBN 61	79.10	117.10	38.00	0.42
and	129.10	229.10	100.00	0.33
and	259.10	267.10	8.00	0.58
11 CBN 68	37.00	171.00	134.00	0.61
11 CBN 69	29.80	203.80	174.00	0.45
and	241.00	257.00	16.00	0.32
11 CBN 70	22.00	151.50	129.50	0.49
11 CBN 72	56.00	178.00	122.00	0.80
11 CBN 73	130.00	178.50	48.50	3.47
11 CBN 74				nsv
11 CBN 75	98.00	102.00	4.00	0.66
and	134.00	180.00	46.00	0.35
11 CBN 76	81.10	85.10	4.00	0.98
and	106.14	121.50	15.36	0.37
and	131.50	156.21	24.71	0.22
and	164.21	177.45	13.24	0.28
and	191.89	209.89	18.00	0.25
and	284.50	289.50	5.00	0.34
11 CBN 77	98.00	106.00	8.00	0.70
and	120.00	138.00	18.00	0.40
and	152.00	174.00	22.00	1.39
and	198.00	224.00	26.00	0.30
and	232.00	256.00	24.00	0.41
11 CBN 78				nsv
11 CBN 79	47.40	147.50	100.10	0.88
11 CBN 80	93.40	153.40	60.00	0.76
11 CBN 81				nsv
11 CBN 82	81.50	235.50	154.00	0.59
and	247.50	263.50	16.00	0.23
and	293.50	303.50	10.00	0.48
11 CBN 83	98.50	146.50	48.00	0.90
and	194.50	216.50	22.00	0.41
and	240.50	248.50	8.00	0.21
11 CBN 84	86.84	150.84	64.00	1.20
and	278.40	291.10	12.70	0.32
11 CBN 85	63.33	73.33	10.00	1.33
and	92.96	160.02	67.06	0.35
11 CBN 86	102.36	107.93	5.57	0.53
and	133.93	140.10	6.17	0.46
11 CBN 87	95.44	137.10	41.66	0.45
11 CBN 90	86.30	134.30	48.00	0.77
11 CBN 91	38.15	112.50	74.35	0.60
11 CBN 94	78.40	92.40	14.00	0.40
and	106.40	192.40	86.00	0.40
11 CBN 95	81.15	101.15	20.00	0.83

and	111.15	163.35	52.20	0.31
and	175.35	185.35	10.00	0.29
11 CBN 96	88.58	122.80	34.22	0.50
and	290.80	301.50	10.70	0.38
11 CBN 97	84.30	182.30	98.00	0.31
and	232.80	252.30	19.50	0.28
11 CBN 98	38.10	88.39	50.29	0.47
and	98.39	175.28	76.89	0.37
11 CBN 99	65.85	81.30	15.45	0.28
11 CBN 100	97.50	109.55	12.05	0.34
and	143.55	157.55	14.00	0.70
and	233.55	281.55	48.00	0.51
11 CBN 101	43.78	109.74	65.96	0.85
and	139.74	189.95	50.21	0.41
11 CBN 104	98.85	148.85	50.00	0.96
11 CBN 105	143.10	151.10	8.00	0.26
and	263.10	291.10	28.00	0.34
11 CBN 108	34.47	40.47	6.00	0.36
and	80.47	165.24	84.77	0.71
11 CBN 109	25.59	47.59	22.00	0.25
and	69.59	157.59	88.00	0.33
and	180.00	200.00	20.00	0.30
11 CBN 110	113.30	117.30	4.00	0.30
11 CBN 111	106.60	128.60	22.00	0.52
and	317.50	325.50	8.00	1.04
11 CBN 112	52.70	124.20	71.50	0.51
11 CBN 113	40.83	44.83	4.00	2.18
and	99.80	116.40	16.60	0.57
11 CBN 114	75.60	92.80	17.20	0.30
11 CBN 115	171.10	197.10	26.00	0.26
11 CBN 116	113.50	131.50	18.00	0.49
and	145.50	240.30	94.80	0.53
11 CBN 117	154.00	196.00	42.00	0.62
11 CBN 118	101.04	129.00	27.96	0.38
11 CBN 119	101.50	107.50	6.00	0.25
11 CBN 120	13.75	140.00	126.25	0.69
11 CBN 121	54.05	66.05	12.00	0.40
and	104.05	122.05	18.00	0.48
and	152.05	170.05	18.00	0.51
and	193.60	199.60	6.00	0.30
and	205.50	209.50	4.00	0.91
11 CBN 122	108.00	177.50	69.50	0.47
11 CBN 123	73.00	92.30	19.30	0.32
and	110.30	116.30	6.00	0.25
11 CBN 124	86.00	92.00	6.00	0.45
and	110.00	118.00	8.00	0.53
11 CBN 124	222.00	268.00	46.00	0.31
and	282.00	288.00	6.00	0.33
11 CBN 125	88.37	145.70	57.33	1.16
and	195.80	212.80	17.00	1.01
11 CBN 126	136.15	199.50	63.35	0.49
11 CBN 127	39.30	183.30	144.00	0.89
and	251.30	257.30	6.00	0.36
and	296.00	299.60	3.60	0.62
11 CBN 128	117.00	123.00	6.00	0.27
and	247.00	251.00	4.00	0.63

1.2.3 DynaMexico - San José de Gracia Project

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

San José de Gracia is located in the northeast portion of Sinaloa State, Mexico, approximately 120 kilometres northeast of the coastal city of Los Mochis, straddling the Chihuahua border. The property consists of 34 mineral concessions covering approximately 69,000 hectares with no outstanding royalty or other interest applicable.

Status of Project

The latest diamond drilling program was completed during the second quarter of 2011 with results very much in line with the previous grades and widths. The San Pablo shoot showed positive results and has been mainly delineated to a configuration approximately 550 metres down plunge, 170 metres along strike and a true width averaging approximately 5 metres. The Tres Amigos shoot is approximately 800 metres along strike on the same structure to the north and is currently open down plunge and showing bigger dimensions than San Pablo. Two other shoots at Purisima and La Union show positive results and are open in several directions.

Mapping and sampling of vein structures in other areas of the concessions continued. Reforestation efforts are ongoing with a total of 5,000 trees planted during the year with seedlings in the company nursery.

Since the previous resource statement, based on drilling completed to July of 2009, the Company has drilled an additional 169 holes, the results of which combined with the previous drilling will be used to complete a revised 43-101 resource estimate expected in the fourth quarter of 2011 which in turn will be used to support a preliminary economic assessment for mining. The Company is targeting a resource estimate sufficient to sustain 100,000 ounces of annual gold production.

The updated 43-101 compliant resource statement will be completed in the fourth quarter of 2011. At the San José de Gracia Project, environmental base line studies will be started which together with surface land acquisition and the technical and economic analysis, which includes the environmental and sociological benefits to the community, will form the basis for a Preliminary Economic Assessment.

Current Drill Results

During the first nine months of 2011, the Company announced the results of an additional 52 drill holes (SJG- 11-225 to 298) from the diamond drilling program which was completed during Q2 of 2011. The highlights from this drilling program from multiple zones include:

Drill Hole	Mineralization			
	From (m)	To (m)	Interval (m)	Au grade (g/t)
SJG 10-225	163.55	163.95	0.40	3.63
SJG-10-226	205.05	213.09	8.04	18.47
including	205.05	209.15	4.10	34.36
SJG-10-227	176.95	186.75	9.80	8.42
including	186.35	186.75	0.40	113.95
SJG-10-228	155.75	157.58	1.83	3.88
and	164.31	167.29	2.98	3.73
SJG-10-229	236.70	238.34	1.64	2.41

and	305.05	306.60	1.55	5.46
SJG-10-230	244.91	249.45	4.54	18.09
including	244.91	247.45	2.54	31.52
SJG-10-231	214.17	214.69	0.52	2.62
and	266.70	269.45	2.75	8.99
and	279.10	280.80	1.70	2.34
SJG-10-232	139.86	141.73	1.87	3.15
SJG-10-233	177.00	179.40	2.40	5.42
and	181.55	183.20	1.65	2.29
SJG-10-234	8.32	9.12	0.80	2.30
and	54.00	54.50	0.50	2.44
and	96.48	98.46	1.98	3.09
and	214.61	217.97	3.36	15.05
SJG-10-235	147.65	151.15	3.50	2.95
SJG-10-236	112.96	117.03	4.07	11.38
and	140.50	140.95	0.45	5.85
SJG-10-237	92.44	92.84	0.40	883.91
SJG-10-238	257.00	258.30	1.30	2.40
SJG-10-239	145.90	147.75	1.85	5.02
SJG-11-240	302.25	303.95	1.70	1.99
SJG-11-242	229.15	230.95	1.80	3.13
and	258.37	262.30	3.93	2.38
including	260.20	261.20	1.00	5.29
SJG-11-244	73.82	74.86	1.04	9.79
SJG-11-245	104.40	105.16	0.76	3.16
SJG-11-246	107.30	108.20	0.90	63.85
SJG-11-247	63.60	65.45	1.85	10.49
and	70.70	72.23	1.53	2.73
including	71.77	72.23	0.46	5.70
and	80.00	83.47	3.47	5.00
including	81.37	83.47	2.10	7.38
SJG-11-249	97.60	98.60	1.00	2.28
and	108.20	109.93	1.73	8.21
and	130.50	131.08	0.58	8.61
SJG-11-250	101.72	104.81	3.09	20.15
SJG-11-251	16.76	18.50	1.74	2.35
SJG-11-252	55.25	59.70	4.45	4.26
and	78.10	80.15	2.05	4.55
including	78.10	79.20	1.10	7.16
SJG-11-253	149.45	151.21	1.76	4.89
SJG-11-255	154.55	155.05	0.50	3.19
SJG-11-256	51.61	52.85	1.24	144.08
and	99.93	101.29	1.36	9.04
SJG-11-257	60.84	63.33	2.49	5.37
and	92.00	94.66	2.66	5.00
and	104.56	106.33	1.77	2.81
SJG-11-258	102.27	102.90	0.63	2.51
and	111.50	111.90	0.40	15.62
SJG-11-259	77.25	79.25	2.00	2.57
SJG-11-260	63.40	71.15	7.75	7.84
SJG-11-261	52.72	53.12	0.40	7.07
and	109.03	109.43	0.40	4.42
and	114.00	114.68	0.68	8.97
SJG-11-262	41.97	44.42	2.45	3.17
SJG-11-265	47.95	52.17	4.22	3.07
SJG-11-267	86.76	87.16	0.40	5.52
SJG-11-271	108.45	108.85	0.40	5.49

and	115.40	120.15	4.75	13.93
SJG-11-278	66.75	67.40	0.65	16.34
and	117.35	117.85	0.50	3.55
SJG-11-280	3.05	4.57	1.52	10.67
and	123.40	124.00	0.60	10.26
SJG-11-263	119.88	121.13	1.25	9.47
and	131.39	131.79	0.40	3.87
and	134.35	134.75	0.40	2.73
and	144.23	145.02	0.79	5.06
SJG-11-264	145.21	146.45	1.24	21.24
SJG-11-268	92.65	94.25	1.60	11.74
and	153.00	153.92	0.92	3.18
SJG-11-272	86.80	87.30	0.50	2.73
SJG-11-279	126.49	129.00	2.51	3.48
SJG-11-281	87.60	88.39	0.79	4.78
SJG-11-282	27.43	30.48	3.05	6.21
and	74.45	75.36	0.91	18.87
and	89.92	91.44	1.52	6.03
and	108.00	109.67	1.67	2.86
and	152.40	153.92	1.52	7.79
SJG-11-285	57.45	59.15	1.70	3.85
and	85.06	87.92	2.86	3.93
and	98.50	102.15	3.65	6.70
SJG-11-287	137.35	138.71	1.36	4.15
SJG-11-289	109.73	112.78	3.05	9.50
SJG-11-293	38.11	39.27	1.16	10.06
and	158.75	160.55	1.80	12.65
SJG-11-292	203.11	204.65	1.54	2.27
SJG-11-298	49.15	49.85	0.70	49.39
and	52.67	53.95	1.28	3.02

The majority of this drilling was located in the San Pablo and Tres Amigos vein systems and was a mixture of infill drilling to improve the resource category, and step out drilling to define more resources.

1.2.4 Cerro Colorado (Operating Mine)

The Company owns a 100% interest in the Cerro Colorado mine, located in northern Sonora, Mexico. The property consists of six mineral concessions covering the area of the mine and 44 concessions in the immediate vicinity of the mine totalling 33,767 hectares. Gold is produced in doré in Mexico and then shipped to a refiner in the United States for final processing prior to sale. The remaining life of the Cerro Colorado mine is estimated to be approximately four to five years. The project is subject to a NSR of 3%.

Status of Operations

At the Cerro Colorado gold mine the Company produced 15,988 ounces of gold during the nine months ended September 30, 2011.

The following initiatives are being undertaken at Cerro Colorado:

- The Company and its new consulting geologist, Roger Newell, will continue to conduct exploration work at the mine and surrounding areas to add to Cerro Colorado's reserves.
- An updated 43-101 Report will be prepared.

During the first nine months of 2011, the Company continued to improve the mining operations by:

- Continuing to explore in and around the current pit to prove the inferred ore zones from the model and discover new zones in previously undrilled zones. The Company is using a second exploration drill under contract to the mine to assist with the drilling program and speed up the process.
- Continuing exploration drilling outside the current pit limits.
- Completing construction of a new leach pad.
- Purchasing two 773C haul trucks and a used 988F loader to improve production reliability.
- Improving the secondary crusher to optimize the aggregate flow to the main crusher. These improvements made it possible for a considerably higher tonnes per day average onto the main leach pad.
- Purchasing a new larger diameter water pipe line to supply more water to the leach pad to improve recoveries of gold.
- Hiring a new maintenance manager to help with improving the efficiency of the truck fleet and to make operations more efficient.
- Repairing several items in the plant-refinery to allow the mine to continue producing gold efficiently with the potential for more ounces at lower grades.
- Hiring a consulting geologist, Dr Roger Newell, who has considerable expertise in Sonora Mexico, to work with our geologists at the mine and surrounding area to add to Cerro's ore reserves.

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

Summary of Operating Results

A summary of key mining statistics for the three months ended September 30, 2011 is as follows:

- The mine had mine operating income (loss), net of depreciation, depletion, and amortization of \$2,672,773 for Q3 2011 compared to \$(57,349) in Q3 2010.
- Production of 4,784 ounces of gold for Q3 2011 compared to 4,048 during Q3 2010.
- Average grade mined in Q3 2011 was 0.58 g/t Au compared to 0.53 g/t Au in Q3 2010.
- Recovery of gold in Q3 2011 was 47% compared to 51% in Q3 2010.
- Tonnes mined increased 26% to 1.879 million in Q3 2011 compared to 1.490 million in Q3 2010.
- Cash cost per ounce of gold sold decreased from \$1,244 in Q3 2010 to \$1,127 in Q3 2011 (see "Non-IFRS Financial Measures" and "Results of Mining Operations" for further discussion).

1.2.5 Planned Exploration and Development Expenditures

As of November 14, 2011, Goldgroup has cash and cash equivalents of approximately \$27,500,000, is debt-free and unhedged. The Company currently intends to spend a portion of these funds as follows:

Caballo Blanco Project	(000's)
• Exploration and drilling to December, 2011	\$ 2,500
• Exploration and underground sampling to December, 2011	400
• Technical reports, Environmental Impact Statement, permitting to December, 2011	600
• Metallurgical work to December, 2011	550
• Preliminary Economic Assessment – preparation	500
• Production site preparation after Preliminary Economic Assessment	11,300

San José de Gracia Project

- Technical reports, Environmental Impact Statement and permitting \$ 1,000
- Preliminary Economic Assessment – preparation 350

Cerro Colorado

- Exploration work to September 2012 500

1.2.6 Highlights

Consolidated Financial and Operating Highlights (Unaudited - expressed in 000's)	Three months ended September 30,		Nine months ended September 30,	
	2011	2010 ^(a)	2011	2010 ^(a)
Gold ounces – produced ^(a)	4,784	4,048	15,988	8,342
Gold ounces – sold ^(a)	4,686	4,303	15,804	8,687
Metal sales	\$8,052	\$5,317	\$24,348	\$10,689
Cost of sales ^(b)	\$5,379	\$5,374	\$17,742	\$9,831
Depreciation, depletion and amortization	\$595	\$36	\$1,848	\$1,295
Mine operating earnings (loss)	\$2,078	\$(93)	\$4,758	\$(437)
Net loss	\$(4,469)	\$(6,753)	\$(6,505)	\$(10,094)
Basic and diluted loss per share	\$(0.04)	\$(0.08)	\$(0.06)	\$(0.13)
Cash flow consumed by operating activities, before changes in non-cash operating working capital	\$(2,571)	\$(3,251)	\$(1,173)	\$(4,560)
Average realized gold price per ounce sold ^(a)	\$1,698	\$1,237	\$1,527	\$1,174
Cost of sales per ounce sold ^(c)	\$1,127	\$1,244	\$1,109	\$1,067

(a) Due to treatment of the business combination with Holdings 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 2010 and 2011 is limited as the Cerro Colorado mine results are only included from May 1, 2010 onward.

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

(c) Cost of sales per ounce sold for the three and nine months ended September 30, 2011 includes a reduction for the silver by-product credit of \$96,881 and \$209,148, respectively. See "Non-IFRS Financial Measures".

1.2.7 Developments During and Subsequent to the Nine Months Ended September 30, 2011

Acquisition of Almaden's 30% Interest in Caballo Blanco

On October 14, 2011 the Company acquired the remaining 30% interest in the Caballo Blanco project held by Almaden. Goldgroup now owns 100% of the Caballo Blanco project.

The total consideration paid, including contingent share consideration that will be paid, by Goldgroup to Almaden in connection with the transaction consisted of:

- \$2.5-million in cash
- seven million Goldgroup common shares at closing
- a requirement to issue up to an additional seven million Goldgroup common shares upon the achievement of certain project milestones:
 - one million common shares upon commencement of commercial production
 - two million common shares upon measured and indicated resources, including cumulative production, reaching two million ounces of gold
 - two million common shares upon measured, indicated and inferred resources, including cumulative production, reaching five million ounces of gold

- two million common shares upon measured, indicated and inferred resources, including cumulative production, reaching 10 million ounces of gold
- a 1.5% net smelter return royalty
- transfer of the Company's 40% interest in the El Cobre property.

Impact on the financial statements, as a result of this transaction, has not yet been determined.

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 \$1.44 (C\$1.40) per share, for gross proceeds of \$35,966,000 (C\$35,000,000). In connection with the offering the underwriters exercised an over-allotment option, in full, to acquire an additional 3.75 million common shares at \$1.44 (C\$1.40) per share, for gross proceeds of \$5,394,900 (C\$5,250,000). Share issue costs on this financing were \$3,413,250 (C\$3,365,453) which were paid to arm's length parties. The net proceeds received were \$37,947,650 (C\$36,884,547).

50% Earn-in of Dyna Mexico

On March 14, 2011 the Company completed its Earn in/Option agreement with DynaMexico for its 50% equity interest by reaching the expenditure funding requirement of \$18,000,000. The Company continues to account for its investment in DynaMexico using the equity method.

As a result of the Company earning its 50% equity interest on March 14, 2011, the board of DynaMexico will comprise five members with DynaUSA and Goldgroup Mining each appointing two members and mutually agreeing on one additional member. Currently there are only four members as the one additional member has yet to be added. The Company is currently assessing strategic financial alternatives. Management considers its ownership interest and its representation on the board of DynaMexico to provide the Company with significant influence over DynaMexico, and as such, the investment is accounted for using the equity method.

Revised Estimates of Previously Reported Inventory Balances for Tax Purposes

During the third quarter, management finalized and filed the 2010 income tax returns for Granmin SA de CV ("Granmin") with the Mexican taxation authorities as required. In computing the taxes for Granmin for the year ended December 31, 2010 management revised the estimates of previously reported inventory balances for tax purposes. The revision of these estimates resulted in an additional tax liability of \$1,405,127 (\$16,902,356 pesos) that is reflected in the current period. A portion of the additional tax liability can be offset by Granmin's accrued IVA receivables.

1.2.8 Gold Market

The price of gold is the largest single factor in determining profitability and cash flow from operations, therefore, the financial performance of the Company is expected to be closely linked to the price of gold. The average market price of gold during the three and nine month periods ended September 30, 2011 was \$1,702 and \$1,534 per ounce, respectively. London P.M. fixings of the gold price during the three month period ranged from a low of \$1,483 per ounce on July 1, 2011 to a high of \$1,895 per ounce on September 5, 2011. These prices compare with averages of \$1,227 and \$1,178 per ounce, respectively, during the three and nine months ended September 30, 2010. Prices for the three months ended September 30, 2010 ranged from a low of \$1,058 per ounce to a high of \$1,307 per ounce.

The Company realized an average price of \$1,698 per ounce on its sales of gold during the third quarter of 2011 compared to an average realized price of \$1,237 for the same period in 2010 and compared to the average London P.M. fix for the third quarter of 2011 of \$1,702 per ounce. The Company realized an average price of \$1,527 per ounce on its sales of gold during the first nine months of 2011 compared to an average realized price of \$1,174 for the same period in 2010 and compared to the average London P.M. fix for the first nine months of 2011 of \$1,534 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 Quarterly Information

Three and Nine Months Ended September 30, 2011 versus September 30, 2010

<i>(Unaudited - expressed in 000's)</i>	Three months ended September 30,		Nine months ended September 30,	
	2011	2010 ^(b)	2011	2010 ^(b)
Metal sales	\$8,052	\$5,317	\$24,348	\$10,689
Cost of sales ^(a)	5,379	5,374	17,742	9,831
Depreciation, depletion and amortization	595	36	1,848	1,295
Mine operating earnings (loss)	2,078	(93)	4,758	(437)
Other expenses (income):				
Administrative expenses	1,841	1,680	5,530	4,034
Other income	(43)	(17,158)	(233)	(17,158)
Share of equity loss in DynaMexico	95	11	56	71
Other expenses	2,931	22,275	2,804	22,060
	4,824	6,808	8,157	9,007
Loss before income taxes	(2,746)	(6,901)	(3,399)	(9,444)
Provision for income taxes:				
Current	1,749	2,574	2,334	2,574
Future	(26)	(2,722)	772	(1,924)
Net loss for the period	\$(4,469)	\$(6,753)	\$(6,505)	\$(10,094)
Loss per share – basic and diluted	\$(0.04)	\$(0.08)	\$(0.06)	\$(0.13)

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

(b) Comparability of production and mining operations financial results between 2011 and 2010 is limited as the Cerro Colorado mine results are only included in Goldgroup's financial results from May 1, 2010 onwards.

1.4 Results of Mining Operations

Three and Nine Months Ended September 30, 2011 versus September 30, 2010 Cerro Colorado Gold Mine (100% ownership)

<i>(Unaudited)</i> Operating Statistics ^(a)	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Ore mined – placed on leach pad (tonnes)	605,615	463,719	1,790,434	1,244,592
Waste mined (tonnes)	1,273,005	1,026,709	3,243,175	2,984,512
Total mined (tonnes)	1,878,620	1,490,428	5,033,609	4,229,104
Waste-to-ore-ratio	2.10	2.21	1.81	2.40
Grade (g/t Au)	0.58	0.53	0.55	0.57
Gold ounces mined	10,236	7,852	28,887	22,986
Gold ounces – produced	4,784	4,048	15,988	15,837
Gold ounces – sold	4,686	4,303	15,804	16,221
Operating Financial Data ^(a) <i>(Unaudited - expressed in 000's)</i>				
Mine operating income (loss)	\$2,078	\$(93)	\$4,758	\$(437)
Plant and equipment expenditures at Cerro Colorado	\$155	\$18	\$2,904	\$301

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

Three Months Ended September 30, 2011 versus September 30, 2010

- Tonnes mined for the three months ended September 30, 2011 increased 26% over the same 2010 period, primarily due to increased haulage capacity attributable to a slightly larger mining fleet compared to the same period last year.
- Production for the quarter ended September 30, 2011 increased by 18% as a result of the Company having increased haulage capacity and improved water supply from the new larger diameter pipeline installed in February 2011.
- Gold sales for the quarter ended September 30, 2011 were 4,686 ounces at an average realized price of \$1,698 per ounce compared to 4,303 ounces sold at an average realized price of \$1,237 for the quarter ended September 30, 2010.
- Operating cash costs for the quarter ended September 30, 2011 were \$5,378,952 or \$1,127 per ounce of gold sold including silver by-product credits of \$21 per ounce, compared to \$5,374,462 or \$1,244 per ounce of gold sold for quarter ended September 30, 2010, before silver by-product credits of \$5 per ounce. This represents a decrease of \$117 per ounce over the third quarter of 2010. The cost per ounce decreased due to increased silver by-product credits and an increase in the

overall number of ounces of gold produced as a result of increased tonnes of ore put on the leach pad during the period.

- Capital expenditures at Cerro Colorado during the quarter ended September 30, 2011 were \$155,168 compared to \$17,611 during the same period in 2010. During the third quarter of 2011, the majority of capital expenditures related to the purchase additions to the new leach pad.

Nine Months Ended September 30, 2011 versus September 30, 2010 (Non-RTO Basis)

- Tonnes mined for the nine months ended September 30, 2011 increased 19% 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 nine months ended September 30, 2011 was 15,988 ounces compared to 15,837 during the nine months ended September 30, 2010.
- Gold sales for the nine months ended September 30, 2011 were 15,804 ounces at an average realized price of \$1,698 per ounce compared to 16,221 ounces sold at an average realized price of \$1,174 for the nine months ended September 30, 2010.
- Operating cash costs for the nine months ended September 30, 2011 were \$17,741,559 or \$1,109 per ounce of gold sold including silver by-product credits of \$13 per ounce, compared to \$9,831,148 or \$1,067 per ounce of gold sold for nine months ended September 30, 2010, before silver by-product credits of \$8 per ounce. The comparative cost of sales includes costs from May 1, 2010 to June 30, 2010 as a result of RTO accounting. This represents an increase of \$42 per ounce over the same period of 2010. Costs increased due to increased diesel consumption, increased usage of explosives, maintenance on equipment for the larger fleet of equipment and higher processing costs, which is mainly increased cyanide consumption as the mine continued leaching the old leach pad in addition to the new leach pad.
- Capital expenditures during the nine months ended September 30, 2011 were \$2,903,733 compared to \$301,312 during the same period in 2010. During the first nine months of 2011, the majority of capital expenditures related to the purchase of two new trucks, two loaders, a dozer, a crane, water pipeline and the new leach pad construction. The comparative capital expenditures only include expenditures from May 1, 2010 to June 30, 2010 as a result of RTO accounting.

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 IFRS and in US dollars. Prior period amounts previously reported in Canadian GAAP have been reported under IFRS.

<i>(Unaudited - expressed in 000's)</i>	Q3 Sep 2011	Q2 Jun 2011	Q1 Mar 2011	Q4 Dec 2010
Revenue	\$8,052	\$9,824	\$6,472	\$6,188
Earnings from mining operations	\$2,078	\$2,054	\$626	\$917

<i>(Unaudited - expressed in 000's)</i>	Q3 Sep 2011	Q2 Jun 2011	Q1 Mar 2011	Q4 Dec 2010
Net earnings (loss)	\$ (4,469)	\$ 19	\$ (2,055)	\$ (3,124)
Total Assets	\$108,342	\$108,744	\$109,161	\$68,835
Total Long-Term Financial Liabilities	\$2,460	\$3,063	\$3,744	\$3,324
Earnings (loss) per share – basic and diluted	\$ (0.04)	\$ 0.00	\$ (0.03)	\$ (0.03)

<i>(Unaudited - expressed in 000's)</i>	Q3 Sept 2010	Q2 June 2010	Q1 Mar 2010	Q4 Dec 2009
Revenue	\$5,317	\$5,372	nil	nil
Loss from mining operations	\$ (93)	\$ (344)	nil	nil
Net loss	\$ (6,754)	\$ (2,549)	\$ (792)	\$ (237)
Total Assets	\$67,616	\$82,600	\$36,799	\$32,203
Total Long-Term Financial Liabilities	\$569	\$513	nil	nil
Loss per share – basic and diluted	\$ (0.08)	\$ (0.04)	\$ (0.02)	\$ (0.01)

1.6 Liquidity

Goldgroup's cash and cash equivalents decreased by \$5,043,840 during the three months ended September 30, 2011 as compared to an increase of \$13,180,590 in the same period of 2010. As at September 30, 2011, the ending cash balance was \$35,802,314 (December 31, 2010 - \$12,653,609).

Working Capital

As at September 30, 2011, the Company had working capital of \$41,393,580 compared to working capital of \$16,343,195 as at December 31, 2010.

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

<i>(Unaudited - expressed in 000's)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Cash consumed by operating activities – gross	\$ (2,571)	\$ (3,251)	\$ (1,173)	\$ (4,560)
Changes in non-cash operating working capital	161	(770)	(1,809)	32
Cash consumed by operating activities - net	(2,410)	(4,021)	(2,982)	(4,528)
Cash generated (used) in investing activities	(4,248)	20,455	(15,807)	18,158
Cash provided by (used in) financing activities	1,614	(3,254)	41,937	587
Effect of exchange rate changes on cash	-	-	-	58
Increase (decrease) in cash and cash equivalents	(5,044)	13,180	23,148	14,275
Cash and cash equivalents, beginning of period	40,846	1,610	12,654	515
Cash and cash equivalents, end of period	\$ 35,802	\$ 14,790	\$ 35,802	\$ 14,790

Three Months Ended September 30, 2011 versus September 30, 2010

Operating Activities

Cash used by operating activities before changes in non-cash operating working capital during the three months ended September 30, 2011 was \$2,571,132 compared to \$3,251,000 during the same period of 2010. The operating cash flow in the quarter ended September 30, 2011 increased compared to the same period of 2010 as a result of the Cerro Colorado mine generating profit which was offset by increased labour costs, marketing and office costs.

Investing Activities

During the three months ended September 30, 2011, the Company consumed cash of \$4,248,154 compared to cash generated of \$20,455,000 in the same period of 2010. During the three months ended September 30, 2011, the Company spent \$216,176 on plant and equipment and \$4,031,978 on exploration and evaluation properties. As noted in the "Results of Mining Operations" section, the majority of expenditures on plant and equipment relate to the new leach pad construction at the Cerro Colorado mine. Exploration and evaluation property expenditures were mainly incurred on the Caballo Blanco project where the Company made land acquisition costs of \$425,625, incurred expenditures of \$3,515,318 on the current drill program, environmental impact study, column leach testing and ground geophysics. Other exploration expenditures of \$91,035 were incurred on the Kenya property and the El Candelero property for concession payments.

Financing Activities

During the three months ended September 30, 2011, cash flow generated by financing activities was \$1,613,959 compared to cash consumed of \$3,254,000 in the same period in 2010. During the three months ended September 30, 2011, the Company received \$444,470 on the exercise of options and \$1,169,489 on the exercise of warrants.

Nine Months Ended September 30, 2011 versus September 30, 2010

Operating Activities

Cash flow used by operating activities before changes in non-cash working capital during the nine months ended September 30, 2011 was \$1,173,333 compared to \$4,560,000 during the same 2010 period. The operating cash flow during the nine months ended September 30, 2011 increased compared to the same period of 2010 as a result of the Cerro Colorado mine generating profit which was offset by increased labour costs, marketing and office costs.

Investing Activities

During the nine months ended September 30, 2011, the Company spent \$15,807,454 on plant and equipment, mineral property costs and on its equity investment of DynaMexico compared to cash generated of \$18,158,000 for the same 2010 period. As noted in the "Results of Mining Operations" section, the majority of 2011 expenditures on plant and equipment relate to the purchase of two new trucks, two loaders, a dozer, a crane, water pipeline and the new leach pad construction at Cerro Colorado and five vehicles at Caballo Blanco. Exploration and evaluation properties expenditures were mainly incurred on the Caballo Blanco gold property where the Company made land acquisitions of \$1,337,237 and incurred expenditures of \$7,158,280 on the current drill program, environmental impact study, column leach testing and ground geophysics. Other exploration expenditures of \$221,618 were incurred on the Kenya property and the El Candelerero property for concession payments.

Financing Activities

During the nine months ended September 30, 2011, cash flows generated in financing activities was \$41,936,676 compared to \$587,000 in the same period in 2010. During the nine months September 30, 2011, the Company received \$37,947,650 from short form prospectus offering, net of share issuance costs of \$3,413,250 and received \$918,325 on the exercise of options and \$3,071,312 on the exercise of warrants.

Liquidity Outlook

Goldgroup had cash and cash equivalents of \$35,802,314 available at September 30, 2011, an increase of \$23,148,708 from the balance at December 31, 2010 of \$12,653,609, while working capital increased by \$25,050,385 to \$41,393,580 at September 30, 2011 from \$16,343,195 at December 31, 2010.

With net proceeds of \$37,947,650 from the short form prospectus financing on March 10, 2011, 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 anticipates the Cerro Colorado mine to continue 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 March 10, 2011 the Company completed a short form prospectus financing of 25 million common shares at a price of \$1.44 (C\$1.40) per share, for gross proceeds of \$35,966,000 (C\$35,000,000). In connection with the offering the underwriters exercised an overallotment option, in full, to acquire an

additional 3.75 million common shares at \$1.44 (C\$1.40) per share, for gross proceeds of \$5,394,900 (C\$5,250,000). Share issue costs on this financing were \$3,413,250 (C\$3,365,453) which were paid to arm's lengths parties. The net proceeds received were \$37,947,650 (C\$36,884,547).

1.8 Off-Balance Sheet Arrangements

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

1.9 Transactions with Related Parties

Relationships

Uracan Resources Ltd. ("Uracan")

Nature of the relationship

Uracan is a public company and shares certain directors and key management. The Company shares office premises with Uracan.

Key management

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the President and Chief Executive Officer, Chairman, Chief Financial Officer, Vice-President of Exploration, General Manager of Cerro Colorado, General Manager of Caballo Blanco, and the Technical Director.

Key Management compensation includes (in 000's):

	Nine months ended September 30,	
	2011	2010
Salaries ¹	\$ 876	\$ 559
Benefits ¹	27	15
Bonuses ²	52	-
Options ³	843	328
	<u>\$ 1,798</u>	<u>\$ 902</u>

1. The salaries and benefits are included in costs of sales, administrative expenses and exploration and evaluation properties.
2. The bonus is included in cost of sales.
3. The options are included in administrative expenses as share-based compensation expense.

At September 30, 2011, receivables include \$14 (December 31, 2010 - \$39; January 1, 2010 - \$31) owing from Uracan and \$nil (December 31, 2010 - \$5; January 1, 2010 - \$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 September 30, 2011, trade and other accounts payable includes \$9 (December 31, 2010 - \$11; January 1, 2010 - \$66) owing to a director and/or officer and/or companies controlled by the directors.

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 Third Quarter and First Nine Months

Third Quarter 2011 vs. Third Quarter 2010

- During the third quarter of 2011, the Cerro Colorado gold mine produced 4,784 ounces of gold compared to 4,048 during the comparative period of 2010. Gold sales during the third quarter of 2011 were 4,686 ounces at an average gold price of \$1,698 per ounce compared to 4,303 ounces at an average gold price of \$1,237 per ounce during the third quarter of 2010.
- The mine's operating income was \$2,077,531 for the quarter ended September 30, 2011 compared to an operating loss of \$93,266 during the same period of 2010.
- Overall, the Company recorded a net loss of \$4,469,367 or \$0.04 loss per share for the quarter ended September 30, 2011 compared to a loss of \$6,753,105 or \$0.08 loss per share for the third quarter ended September 30, 2010.
- Cost of sales of \$5,378,952 represented cash operating costs at the Cerro Colorado gold mine for the third quarter of 2011 or \$1,127 per ounce of gold sold, compared to \$5,374,462 of cash operating costs for the period May 1, 2010 to September 30, 2010 or \$1,244 per ounce of gold sold including a silver by-product credits of \$5 per ounce.
- Depreciation, depletion and amortization of \$595,340 during the three months ended September 30, 2011 resulted primarily from the depletion on the Cerro Colorado mine and plant and equipment associated with the Cerro Colorado gold mine compared with \$35,917 during the third quarter of 2010. The majority of the 2010 figure is low as a result of the preliminary increase in the fair value of Cerro Colorado mine in Q2 2010 as a result of the RTO. The majority of the depreciation expense is calculated on a unit-of-production basis.
- Administrative expenses were \$1,840,869 for the third quarter ended September 30, 2011 compared to \$1,679,752 during the third quarter ended September 30, 2010. The increase is principally due to the recognition of part of the fair value of options granted during 2009, 2010 and 2011, an increase in size of the Company compared to 2010 which includes more employees and increased investor relations offset by less professional fees which were related to the reverse take-over of Sierra.
- Other income was \$43,220 for the third quarter ended September 30, 2011 compared to \$17,157,915 for the same period in 2010. The income for 2011 relates to interest on cash deposits. Other income in the 2010 period relates to the gain on sale of El Porvenir.
- Other expenses were \$2,931,022 for the third quarter ended September 30, 2011 compared to \$22,275,493 during the same period in 2010. Other expenses in the 2011 period primarily relate to a foreign exchange loss from funds held on deposit in Canadian dollars and financing fees on the funds advanced from gold sales and the accretion on the decommissioning and restoration provision. The expense balance in the 2010 period primarily relates to an impairment on the Cerro

Colorado property, the write-off inventory and equipment at Cerro Colorado, financing fees on the funds advanced from gold sales and the accretion on the decommissioning and restoration provision.

- Current income tax expense was \$1,749,585 during the three months ended September 30, 2011 which relates to profits earned at the Cerro Colorado mine and a revision of inventory estimates in the December 31, 2010 tax return which resulted in additional taxes of \$1,405,127 compared to \$2,573,868 in the same period of 2010. A deferred income tax recovery of \$26,132 was recorded during the three months ended September 30, 2011 compared to \$2,721,577 during the three months ended September 30, 2010.

First Nine Months 2011 vs. First Nine Months 2010

- During the first nine months of 2011, the Cerro Colorado gold mine produced 15,988 ounces of gold compared to 15,837 (non-RTO basis) during the comparative period of 2010, a decrease of 1%.
- Gold sales during the first nine months of 2011 amounted to 15,804 ounces at an average gold price of \$1,527 per ounce compared to 16,221 ounces at an average gold price of \$1,174 per ounce during the first nine months of 2010 (non-RTO basis).
- Metal sales revenue during the nine months ended September 30, 2011 was \$24,348,035 compared to \$10,689,353 during the first nine months of 2010. In 2010 the metals sales only includes metal sales from May 1, 2010 to September 30, 2010, as a result of accounting treatment for the RTO.
- The mine experienced operating earnings of \$4,758,585 for the nine months ended September 30, 2011 compared to an operating loss of \$(437,083) during the same period of 2010.
- Overall, the Company recorded a net loss of \$6,504,854 or \$(0.06) per share for the nine months ended September 30, 2011 compared to \$10,093,666 or \$(0.13) per share for the nine months ended September 30, 2010.
- Cost of sales of \$17,741,559 represented cash operating costs at the Cerro Colorado gold mine for the nine month period ended September 30, 2011 or \$1,109 per ounce of gold sold including silver by-product credits of \$13 per ounce, compared to \$9,831,148 of cash operating costs for the period May 1, 2010 to September 30, 2010 or \$1,067 per ounce of gold sold including a silver by-product credits of \$8 per ounce.
- Depreciation, depletion and amortization of \$1,847,891 during the nine months ended September 30, 2011 resulted primarily from the depletion on the Cerro Colorado mine and plant and equipment associated with the Cerro Colorado gold mine compared with \$1,295,288 during the period May 1, 2010 to September 30, 2010. The majority of the depreciation expense is calculated on a unit-of-production basis.
- Administrative expenses were \$5,529,625 for the first nine months of 2011 compared to \$4,033,694 during the first nine months of 2010. The increase is principally due to the recognition of increased share-based payment expense relating to options granted during 2009, 2010 and 2011, an increase in size of the Company compared to 2010 which includes more employees, increased investor

relations, increased office costs and increased exploration, offset by less professional fees which were related to the reverse take-over of Sierra.

- Other income was \$233,155 for the nine months ended September 30, 2011 compared to \$17,157,915 for the same period in 2010. The income for 2011 relates to interest on cash deposits. Other income in 2010 relates to the gain on sale of El Porvenir.
- Other expenses were \$2,803,776 for the nine months ended September 30, 2011 compared to \$22,059,786 during the same period in 2010. The expense in 2011 is a result of the Company incurring interest charges and financing fees on a loan to Auramet in 2010 and an accounting loss recorded on the sale of Sierra shares. Other expenses in 2011 relate primarily to a foreign exchange loss from funds held on deposit in Canadian dollars and financing fees on the funds advanced from gold sales and the accretion on the decommissioning and restoration provision. The expense balance in 2010 relates to an impairment on the Cerro Colorado property, the write-off inventory and equipment at Cerro Colorado, financing fees on the funds advanced from gold sales and the accretion on the decommissioning and restoration provision.
- Current income tax expense was \$2,334,486 during the nine months ended September 30, 2011 which relates to profits earned at the Cerro Colorado mine and a revision of inventory estimates in the December 31, 2010 tax return which resulted in additional taxes of \$1,405,127 compared to \$2,573,868 in the same period of 2010. A deferred income tax expense of \$772,084 was recorded during the nine months ended September 30, 2011 compared to a deferred income tax recovery of \$1,923,971 during the nine months ended September 30, 2010.

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 Significant Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

(i) Mineral Reserves

Proven and probable reserves are the economically mineable parts of the Company's measured and indicated mineral resources demonstrated by at least a preliminary feasibility study. The Company estimates its proven and probable reserves and measured and indicated and inferred mineral resources based on information compiled by appropriately qualified persons. The information relating to the geological data on the size, depth and shape of the

ore body requires complex geological judgments to interpret the data. The estimation of future cash flows related to proven and probable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the proven and probable reserves or measured and indicated and inferred mineral resources estimates may impact the carrying value of property, plant and equipment, goodwill, reclamation and remediation obligations, recognition of deferred tax amounts and depreciation, depletion and amortization.

(ii) Purchase Price Allocation

Applying the acquisition method to business combinations requires each identifiable asset and liability to be measured at its acquisition-date fair value. The excess, if any, of the fair value of consideration over the fair value of the net assets acquired is recognized as goodwill. The determination of the acquisition-date fair values often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of exploration and evaluation properties, mine properties and plant and equipment acquired generally require a high degree of judgment, and include estimates of mineral reserves acquired, future metal prices and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill in the purchase price allocation.

(iii) Depreciation, depletion and amortization

Plants and other facilities used directly in mining activities are depreciated using the units-of-production ("UOP") method over a period not to exceed the estimated life of the ore body based on recoverable ounces to be mined from proven and probable reserves. Mobile and other equipment are depreciated, net of residual value, on a straight-line basis, over the useful life of the equipment to the extent that the useful life does not exceed the related estimated life of the mine based on proven and probable reserves.

The calculation of the UOP rate, and therefore the annual depreciation, depletion and amortization expense, could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and differences in gold price used in the estimation of mineral reserves.

Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation, depletion and amortization and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

(iv) Impairment of goodwill and other assets

Any goodwill is tested for impairment annually or more frequently if there is an indication of impairment. The carrying value of plant and equipment, exploration and evaluation properties and mine properties is reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in profit or loss. The assessment of fair values, including those of the cash-generating units for purposes of testing goodwill,

require the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of goodwill or other assets could impact the impairment analysis.

(v) Inventories

Expenditures incurred, and depreciation, depletion and amortization of assets used in mining and processing activities are deferred and accumulated as the cost of ore in stockpiles, ore on leach pads, in-process and finished metal inventories. These deferred amounts are carried at the lower of average cost or net realizable value (“NRV”). Write-downs of ore in stockpiles, ore on leach pads, in-process and finished metal inventories resulting from NRV impairments are reported as a component of current period costs. The primary factors that influence the need to record write-downs include prevailing and long-term metal prices and prevailing costs for production inputs such as labour, fuel and energy, materials and supplies, as well as realized ore grades and actual production levels.

Costs are attributed to the leach pads based on current mining costs, including applicable depreciation, depletion and amortization relating to mining operations incurred up to the point of placing the ore on the pad. Costs are removed from the leach pad based on the average cost per recoverable ounce of gold on the leach pad as the gold is recovered. Estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the pads, the grade of ore placed on the leach pads and an estimated percentage of recovery. Timing and ultimate recovery of gold contained on leach pads can vary significantly from the estimates. The quantities of recoverable gold placed on the leach pads are reconciled to the quantities of gold actually recovered (metallurgical balancing), by comparing the grades of ore placed on the leach pads to actual ounces recovered. The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time. The ultimate recovery of gold from a pad will not be known until the leaching process is completed.

The allocation of costs to ore in stockpiles, ore on leach pads and in-process inventories and the determination of NRV involve the use of estimates. There is a high degree of judgment in estimating future costs, future production levels, proven and probable reserves estimates, gold and silver prices, and the ultimate estimated recovery for ore on leach pads. There can be no assurance that actual results will not differ significantly from estimates used in the determination of the carrying value of inventories.

(vi) Decommissioning and restoration provision

The Company assesses its provision for reclamation and remediation on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. Actual costs incurred may differ from those amounts estimated. Also, future

changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

(vii) Deferred taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax values (temporary differences) and loss carryforwards. Future income tax assets and liabilities are measured using the tax rates expected to be in effect when temporary difference are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantively enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(viii) Share-based compensation payments

Share-based compensation expense is determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to the statement of loss and comprehensive income (loss) 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.

1.13 Change in Accounting Policies Including Initial Adoption

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

Accounting Standards Issued and Effective January 1, 2012

IAS 12 – *Income Taxes (Amended)* ("IAS 12"), introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value.

IFRS 7 – *Financial instruments: Disclosures (Amended)* require additional disclosures on transferred financial assets.

Accounting Standards Issued and Effective January 1, 2013

IFRS 9 *Financial Instruments* replaces the current standard *IAS 39 Financial Instruments: Recognition and Measurement*, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

IFRS 10 *Consolidated Financial Statements* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard

- a. requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements
- b. defines the principle of control, and establishes control as the basis for consolidation
- c. sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee
- d. sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation—Special Purpose Entities*.

IFRS 11 *Joint Arrangements* establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12 *Disclosure of Involvement with Other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 *Fair Value Measurement* defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 *Share-based Payment*; leasing transactions within the scope of IAS 17 *Leases*; measurements that have some similarities to fair value but that are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

IAS 27 *Separate Financial Statements* has the objective of setting standards to be applied in accounting for investments in subsidiaries, jointly ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28 *Investments in Associates and Joint Ventures* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

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 23, "Risk Management" and its approach to the "Management of Capital" described in note 22 to the Consolidated Financial Statements for the three and nine months ended September 30, 2011.

1.15 Basis of Preparation and First-Time Adoption of International Financial Reporting Standards

The Company has prepared its third unaudited condensed interim consolidated financial statements for part of the period covered by the Company's first International Financial Reporting Standards ("IFRS") annual consolidated financial statements. IFRS represents standards and interpretations approved by the International Accounting Standards Board ("IASB"), and are comprised of IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") or the former Standing Interpretations Committee ("SICs"). The Company's unaudited condensed interim consolidated financial statements as at and for the three and nine month periods ended September 30, 2011 and 2010 have been prepared in accordance with IAS 34 – *Interim Financial Reporting* and on the basis of IFRS standards and interpretations expected to be effective or available for early adoption as at the Company's first IFRS annual reporting date, December 31, 2011, with significant accounting policies as described in note 3 of the Company's unaudited condensed interim consolidated financial statements as at and for the three and nine month periods ended September 30, 2011 and 2010.

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, effective July 1st, 2011 Mark Simpson, P.Geo., 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. Prior to July 1st, 2011 the qualified person for Goldgroup was Kevin James Sullivan, B.Sc. M.AusIMM, Goldgroup's Vice President of Exploration. 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

Goldgroup's authorized capital stock consists of an unlimited number of common shares without par value. As at November 14, 2011, there were 128,517,049 common shares issued and outstanding.

As at November 14, 2011, the Company also had the following options and warrants issued and outstanding:

- 10,974,348 common share options with a weighted average exercise price of C\$1.02 expiring at various dates to June 15, 2016.
- 2,000,000 common share warrants with an exercise price of C\$1.25 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 September 30, 2011 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

The financial reporting changes that resulted from the application of IFRS accounting policies were implemented during the nine months ended September 30, 2011 and have not materially affected, and are not reasonably likely to materially affect, the Company's internal control over financial reporting

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-IFRS Financial Measures

Cash Costs

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

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

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 depreciation, depletion and amortization as per the consolidated statement of operations.

Cash Costs – January 1st to September 30th 2011 and 2010

(Unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2011	2010 ^(b)	2011	2010 ^(b)
Cost of sales (excluding accretion, depreciation, depletion and amortization)	\$ 5,378,952	\$ 5,374,462	\$ 17,741,559	\$ 9,831,148
Non-cash fair value adjustment from RTO ^(a)	-	-	-	(490,857)
Silver by-product credit	(96,881)	(20,071)	(209,148)	(69,189)
	\$ 5,282,071	\$ 5,354,391	\$ 17,532,411	\$ 9,271,102
Gold ounces sold	4,686	4,303	15,804	8,687
Total cash costs (\$/oz. sold)	\$1,127	\$1,244	\$1,109	\$1,067
Breakdown of cost per ounce sold				
Direct operating costs	\$1,088	\$1,212	\$1,076	\$1,047
3.0% NSR Royalty	60	37	46	28
Less: silver by-product credits	(21)	(5)	(13)	(8)
Total cash costs (\$/oz. sold)	\$1,127	\$1,244	\$1,109	\$1,067

(a) Included in the purchase price allocation on the reverse takeover of Sierra is an increase of \$490,857 to inventory to recognize its fair value. During the second quarter the inventory was sold and so the fair value increase was charged to cost of sales. 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) The 2010 comparative figures are only for the period May 1, 2010 to September 30, 2010 as a result of the accounting treatment for the RTO for Sierra.

1.16.5 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 2010 the Company entered into a 12 month consulting contract with Michael Baybak & Company Inc. for investor relation services whereby the Company paid \$5,000 per month and issued 200,000 stock options at an exercise price of C\$1.00 per share. The Michael Baybak and Company agreement expired on May 31, 2011 and was not renewed. The Company also entered into a 12 month contract with San Diego Torrey Hills Capital Inc. for investor relation services whereby the Company paid \$5,000 per month and issued 200,000 stock options at an exercise price of C\$1.00 per share. On September 30, 2010 the Company entered into a consulting contract with Vantage Communications Ltd. for investor relation services for 12 months whereby the Company paid a one-time payment of C\$23,000 and issued 125,000 stock options at an exercise price of C\$1.00 per share. This contract expired on September 29, 2011 and was not renewed. On November 9, 2010 the Company entered into a six month consulting services contract with RK Equity Capital Markets, LLC for European investor relation services whereby the Company paid \$5,000 per month and issued 150,000 stock options at an exercise price of C\$1.00 per share. The RK Equity agreement expired on April 30th, 2011 and was not renewed.

1.16.6 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. For a more comprehensive discussion of the risks faced by the Company, please refer to the Company's MD&A as at December 31, 2010 and the Annual Information Form filed at www.sedar.com.

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. investors that while such terms are recognized and required under Canadian regulations, the SEC does not recognize these. "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.