



GOLDGROUP MINING INC.
Management's Discussion and Analysis
For the Three Months Ended March 31, 2014

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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 May 13, 2014, and is intended to supplement and complement the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2014. Readers are cautioned that this MD&A contains forward-looking statements and that actual events may vary from management's expectations. Goldgroup's public disclosure documents 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 months ended March 31, 2014.

The MD&A contains forward-looking statements and should be read in conjunction with the risks discussed herein and those set out under the heading "Risk Factors" in Goldgroup's annual information form dated March 31, 2014 (the "AIF"). Please also refer to the "Cautionary Statement on Forward-Looking Information" at the end of this MD&A.

Additional information about Goldgroup is available on SEDAR at www.sedar.com.

1.2 Overall Performance and Outlook

Outlook

The main short-term objective is developing sustainable cash flow and paying off the loan payable. The Company intends to meet these objectives by continuing to ramp up production at the Cerro Prieto project and continuing to leach gold at a profit at the Cerro Colorado mine. The long-term objective is to continue to work with Mexican authorities on the environmental permit application for Caballo Blanco and to resolve the conflict with DynaResource, Inc. in order to move forward with the San José de Gracia project.

The main areas of focus for 2014 include:

- Cerro Prieto Project – continuing the advancement of the Cerro Prieto Project located in Northern Sonora, Mexico. In 2014 the Company plans to ramp up to commercial production. The Company wishes to make clear that it is not basing its production decision on a preliminary economic assessment demonstrating the potential viability of mineral resources or a feasibility study of mineral reserves demonstrating economic and technical viability, and as a result there is increased uncertainty and these are multiple technical and economic risks of failure which are associated with this production decision. These risks, among others, include areas that are analyzed in more detail in a Preliminary Economic Assessment ("PEA") or Feasibility Study, such as applying economic analysis to resources or reserves, more detailed metallurgy, a number of various specialized studies.
- Cerro Colorado Mine – commence a planned wind-down with a focus of optimizing profitability as it is expected that gold will continue to leach beyond the life of mining operations.
- Caballo Blanco Project - continue to work with the Mexican government authorities improve studies relating to the permit application.
- San José de Gracia – continue to seek a resolution to the conflict with DynaResource, Inc. to move forward with the project.

Going Concern

The Company has experienced recurring operating losses and has an accumulated deficit of \$53.6 million at March 31, 2014 (December 31, 2013 – \$52.8 million). In addition the Company has working capital of \$1.98 million (December 31, 2013 - \$2.3 million). Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. The continuing operations of the Company are dependent upon its ability to arrange additional financing, favourably resolve the legal disputes with DynaUSA, complete the development of Caballo Blanco, including obtaining the necessary permits to operate, and achieving future profitable operations. These matters results in material uncertainties which may doubt on its ability to continue as a going concern. These financial statements do not include any adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

Highlights and Developments

- On March 11, 2014 the Company announced that DynaResource dropped its lawsuit in Dallas County District Court.
- On March 14, 2014 the Company filed for arbitration in Denver, Colorado, against DynaResource Inc. to protect its interests pursuant to the San Jose de Gracia earn-in option agreement dated September 1, 2006.
- On March 31, 2014 the Company announced that Sonoran Resources LLC and its Mexican subsidiary, SR Servicios Mineros, S.A. de C.V. (jointly, "Sonoran"), have filed a lawsuit in Arizona, USA against Oroco Resource Corp. ("Oroco"), Minas de Oroco Resources S.A. de C.V. ("Minas de Oroco") and Goldgroup. The lawsuit arises from Oroco's sale of the Cerro Prieto project to Goldgroup (the "Acquisition") and pertains to certain contracts (the "Sonoran Contracts") that were in place between Oroco, Minas de Oroco and Sonoran prior to the Acquisition. Sonoran alleges that Goldgroup breached contracts between Sonoran and Oroco and Minas de Oroco, to which Goldgroup was not a party, and that it intentionally interfered with Sonoran's business expectations, causing the loss of net profits from the fees claimed to be payable pursuant to the Sonoran Contracts if they had been carried out. Goldgroup is protected by an indemnity agreement between it and Oroco, which includes all damages and costs that relate to a lawsuit such as this. Sonoran is seeking damages in an amount to be determined at trial, but claimed to be in excess of \$3,000,000. Goldgroup maintains that the Sonoran Contracts were terminated in accordance with the terms of those contracts. It is Oroco's position that this lawsuit, and the various claims being advanced in it by Sonoran, is an ill-advised legal strategy intended to force Oroco to pay a net US\$177,066 (after deduction for double-billing by Sonoran) in unsupported, post-closing invoices.

1.2.1 Company Overview

Goldgroup is a Canadian-based gold production, development, and exploration Company with a portfolio of projects in Mexico, including its 100%-owned advanced stage gold development project Caballo Blanco in the state of Veracruz, a 100% owned Cerro Prieto project in the state of Sonora and a 50% interest in DynaResource de Mexico, SA de C.V., which owns 100% of the high grade gold exploration project San José de Gracia located in the state of Sinaloa. The Company also operates its 100%-owned Cerro Colorado gold mine in the state of Sonora.

The Company is listed on the Toronto Stock Exchange (“TSX”) under the symbol “GGA” and on the Over-The-Counter (“OTC”) market under the symbol “GGAZF”.

As of June 20, 2012 the Company is listed on the Bolsa Mexicana de Valores S.A.B de C.V., also known as “SIC”, under the symbol GGAN.MX.

The profitability and operating cash flow of the Company are 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. To date, all of the Company’s projects are located in Mexico and are subject to foreign investment risk, including increases in various levels of taxation and royalties, renegotiation of contracts, fuel cost changes, profit sharing law changes, 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.

The Company will need to raise additional funds over and above amounts raised to date to construct and commission the Caballo Blanco mine and to continue the development of the Cerro Prieto project, as well as to complete the exploration and development of its other property interests. There can be no assurance that additional capital or other types of financing will be available to the Company if needed or that, if available, the terms of such financing will be on terms favourable to the Company.

1.2.2 Caballo Blanco Project

Goldgroup owns 100% of the Caballo Blanco gold project which consists of a series of oxidized gold zones located in the State of Veracruz in eastern Mexico. The property consists of 14 mineral concessions covering an area of 54,732 hectares. Two large areas of epithermal gold mineralization have been discovered within the Caballo Blanco property, referred to as the Northern Zone, where the La Paila Zone is situated, and the Highway Zone. Both zones are prominent high-sulphidation, epithermal gold prospects that occur within extensive areas of clay and silica alteration. The gold is fine and occurs within a vuggy, massive and brecciated silica alteration of an original andesite host rock in the upper levels of the surrounding epithermal system.

The principal known gold zone at Caballo Blanco is the La Paila Zone, which is located on the northern portion of a large 'magnetic high' ring structure that measures approximately three kilometres in diameter. At least four other large induced polarization (IP) anomalies occur in the Northern Zone, with similar geophysical signatures to La Paila, have been identified along the inner flanks of this magnetic feature.

On October 15, 2013, the Company received \$250,000 as a reimbursement for funds previously paid to a royalty holder on Caballo Blanco to reduce their NSR. The \$250,000 reimbursement represented a 0.1% increase to the NSR payable on Caballo Blanco. The total NSR payable on the project is now 2%.

Goldgroup continues to advance the Caballo Blanco project in areas such as necessary land and surface rights acquisitions, permitting, engineering studies and geological studies. The commencement of construction of Caballo Blanco is contingent on the foregoing and there can be no assurance that surface rights agreements, permits or studies will be obtained or completed as required, which could

have a material adverse effect on the Company's business and operations. The Company has not made a production decision and no assurances can be given as to when production may commence.

Underground tunnelling on the La Paila Zone was completed to sufficiently conclude the project's bulk sampling program. The tunnel advanced a total of 266 metres in the main drift and western crosscut, of which 224 metres is in mineralized vuggy, massive and brecciated silica rock. The main tunnel and west crosscut at the La Paila Zone were driven to collect bulk-sample material for metallurgical test work. The tunnelling also provided direct access to the mineralized zone allowing the Company to enhance its understanding of the geological and geotechnical characteristics of the mineralization within the La Paila Zone.

Status of Project

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

Permitting

The Environmental Impact Statement ("EIS") was presented to the federal environmental regulatory agency in Mexico, Secretaría de Medio Ambiente y Recursos Naturales ("SEMARNAT"), on December 15, 2011. On March 13, 2012, the Company received comments on the EIS application from SEMARNAT. The comments requested more information on risk mitigation, along with environmental protection and rehabilitation, of several aspects of the proposed mining operations. On June 11, 2012 Goldgroup submitted responses to the comments received from SEMARNAT on March 13, 2012, regarding the EIS. The responses are standard procedure in the environmental permitting process and are intended to clarify certain aspects of Goldgroup's permit application, as well as facilitate SEMARNAT's review of the EIS. On September 14, 2012, the Company deferred the evaluation of the EIS for Caballo Blanco, as Mexico was undergoing a change in Federal government and the Company recognized the importance of working with the transitioning team and new authorities to integrate their requirements for the development of the project. The environmental permitting process is governed by Mexican federal law and regulations.

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

- Incorporating changes that arose at Caballo Blanco as a result of the PEA, including a haulage tunnel, connection to the electrical grid and modification to the pit outline, waste dump and leach pad.
- Providing additional information on the management of cycads, which are an endangered species in the area. The Company is working on strategic plans to ensure the transplant and survival of cycads, as well as an environmental management plan to increase the cycad population.
- Completing additional studies on the Actopan watershed to confirm a sufficient water resource to support the project.

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

- Rescue programs for protected flora species
- Environmental mitigation measures for the project and how Goldgroup will measure its success

- Ecosystems affected by the use of environmental services (water, soil, air, etc.) required for the project
- Economic and social benefits of the project

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

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

1.2.3 Cerro Prieto Project

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

Gold is produced in doré in Mexico and then shipped to a refiner in the United States for final refining prior to sale. In addition to the production royalty to Oroco discussed below, the Cerro Prieto Project is subject to a 2% NSR royalty payable upon production.

On January 28, 2013 Goldgroup entered into a binding agreement with Oroco whereby Goldgroup would acquire a 100% interest in Oroco's Cerro Prieto Project (the "Cerro Prieto Project") in Sonora State, Mexico, subject to receipt of regulatory and Oroco shareholder approvals. On August 30, 2013 the Company completed the acquisition of the Cerro Prieto project for total consideration of \$8,105,506, which is comprised of:

- \$4,500,000 cash
- a promissory note in the principal amount of \$1,500,000 (the "First Loan"), with the principal amount of the First Loan bearing simple interest at a rate of 8% per annum and payable in six equal monthly instalments of \$250,000 each, commencing on the later of January 31, 2015 and the first day of the month following the date the Project achieves commercial production. Interest will accrue on the principal amount of the First Loan from the date of closing of the Transaction and will be payable quarterly in arrears, on a declining balance, however, the Company's obligation to deliver such quarterly interest payments will be suspended until the Project achieves commercial production.
- 5,500,000 common shares of the Company issued to Oroco at the date of closing;
- A promissory note to Oroco in the principal amount of \$4,125,000 million (the "Second Loan"), with the principal amount of the Second Loan bearing no interest and payable on the second anniversary of the closing of the Transaction. The Company may elect at

- its sole discretion to pay the principal amount of the Second Loan in cash or by issuing to Oroco 16,500,000 common shares;
- A production royalty calculated as 20% of the difference between the market price of gold and \$1,250 per ounce up to a maximum of US\$90 per ounce of gold produced from the Project, for the greater of (i) the first 90,000 ounces of gold produced from the Cerro Prieto Project and (ii) all ounces of gold produced from the Project until the completion of five full years of commercial production.
 - As part of the original January 28, 2013 agreement with Oroco, the Company agreed to complete a private placement for units of Oroco for CDN\$1,000,000 (\$1,002,570 USD). On February 5, 2013 Goldgroup closed the purchase of 5,000,000 units in Oroco. Each unit was purchased at CDN\$0.20 and is comprised of one common share and one non-transferable share purchase warrant, with each warrant exercisable for two years at a price of CDN\$0.25.

Status of Project and Outlook

The Cerro Prieto project commenced small-scale trial mining and leaching in December 2013. Until commercial production is achieved, all costs and revenues are capitalized to the mineral property. During the three months ended March 31, 2014 the Company produced 1,866 ounces of gold (2013 – N/A).

Operating Statistics	Three Months Ended March 31, 2014
Ore mined – placed on leach pad (tonnes)	179,664
Waste mined (tonnes)	60,220
Total mined (tonnes)	239,884
Waste-to-ore-ratio	0.34
Recovery	44%
Grade (g/t Au)	0.74
Gold ounces mined	4,264
Gold ounces – produced	1,866
Gold ounces – sold	2,074

Expenditures at Cerro Prieto ^(a) <i>(Unaudited - Expressed in 000's)</i>	Three Months Ended March 31, 2014
Mine operations	\$ 1,431
Plant and lab	57
Engineering	59
Leach pad	80
Geology	193
Crusher	373
Other	113
Depreciation	69
Total expenditures	2,375
Revenue from gold and silver sales	(2,716)
Net Expenditures (income)	(341)
Expenditures, opening balance ^(b)	11,155
Expenditures, ending balance	\$ 10,814

(a) The expenditures and revenues at Cerro Prieto are being capitalized until the project reaches commercial production.

(b) The opening balance of expenditures includes acquisition costs of \$8,105,506.

To date, Goldgroup has completed various construction and development aspects of the Cerro Prieto Project including:

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

In 2014, the Company will focus its efforts at the project by:

- Better define the LOM Mine Plan
- Conducting ongoing tests to determine the ideal leaching parameters
- Evaluating the HPGR tertiary crusher to see if it provides increased recovery against standard tertiary crushing
- Evaluating whether or not to move the strip circuit and smelting plant from Cerro Colorado
- Ramping up to commercial production
- Finishing construction of the camp, workshop and warehouse areas
- Exploring mineral properties adjacent to the site

The Company wishes to make clear that it is not basing its production decision on a preliminary economic assessment demonstrating the potential viability of mineral resources or a feasibility study of mineral reserves demonstrating economic and technical viability, and as a result there is increased

uncertainty and multiple technical and economic risks of failure which are associated with this production decision. These risks, among others, include areas that are analyzed in more detail in a PEA or Feasibility Study, such as applying economic analysis to resources, more detailed metallurgy, a number of various specialized studies.

On August 8, 2013 the Company released an updated National Instrument 43-101 Measured and Indicated and Inferred mineral resource estimate (the “NI 43-101”) for the Cerro Prieto Project. Giroux Consultants Ltd. and Duncan Bain Consulting Ltd. prepared and authorized the release of this NI 43-101 resource estimate entitled “Report on the 2011-2012 Exploration Program including an Updated Resource Estimation on the Cerro Prieto Project - Magdalena de Kino Area, Sonora State Mexico dated June 10, 2013”. Highlights of this estimate can be found in the MD&A for the year ended December 31, 2013 on SEDAR.

Qualified Persons:

The Mineral Resource estimate and other scientific and technical information contained in this document relating to this mineral resource estimate were prepared by or under the supervision of G.H. Giroux, P.Eng., M.A.Sc. and Dr. Duncan J. Bain, P.Geo. who are independent “Qualified Persons” under National Instrument 43-101 Standards of Disclosure for Mineral Projects.

The scientific and technical information contained in this document relating to mining operations at Cerro Prieto were under the supervision of Robert Friesen, P.Geo., who is a “Qualified Persons” under National Instrument 43-101 Standards of Disclosure for Mineral Projects.

1.2.4 San José de Gracia Project

On March 14, 2011, the Company completed the requirements for its earn-in/option agreement with DynaResource de Mexico S.A. de C.V. (“DynaMexico”) for a 50% equity interest in DynaMexico by reaching the expenditure funding requirement of \$18,000,000. DynaMexico owns 100% of the San José de Gracia gold project.

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 applicable interests.

Management has had numerous discussions with DynaResource, Inc. (“DynaUSA”), owners of the remaining 50% shareholding of DynaMexico, to determine how to proceed with this project. The Company continues to assess available alternatives for the future development of the San José de Gracia project. Until such time as a development strategy and financial plan for the San José de Gracia project can be agreed to with DynaUSA, Goldgroup’s financial support to fund further exploration and development activities has been placed on hold. Development activities will be limited and the costs of maintaining the project are expected to be nominal.

There are several ongoing legal disputes between Goldgroup and DynaUSA which are summarized below:

Legal Dispute #1

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

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

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

Legal Dispute #2

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

Legal Dispute #3

On January 14, 2014 Goldgroup announced that it has obtained an injunction against the 300 new shares purportedly issued by DynaMex in favor of DynaUSA from a Federal Judge of the Mexican Court. The injunction freezes the shares pending trial regarding DynaMex's issuance of the new shares. Before the new shares were purportedly issued, Goldgroup was a 50% shareholder in DynaMex.

On May 17, 2013 DynaMex held an extraordinary shareholders meeting (the "Meeting") without following the proper legal process or providing the correct notification to Goldgroup. The Meeting was, apparently, attended by representatives of DynaUSA. Goldgroup did not attend as it was not properly notified of the Meeting.

In the Meeting, DynaUSA and Diepholz purported to approve the financial statements for the year ended December 31, 2012, which included unaudited accounts payable amounts which were to the benefit of DynaUSA and were never approved by Goldgroup. In the Meeting, DynaUSA and Diepholz purported to increase DynaMex's equity by means of capitalization of the aforementioned accounts payable and purported to issue 300 new shares of DynaMex in favor of DynaUSA.

Goldgroup considers that such a meeting was in violation of a number of legal requirements,

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

Due to the foregoing, Goldgroup initiated, before the Mexican Federal authorities, a suit concerning the Meeting and, as a precautionary measure, requested that the Judge freeze the 300 shares issued to DynaUSA. On December 13, 2013, the Judge issued an injunction in order to maintain the status quo of DynaMex as it was before the Meeting (i.e. Goldgroup owning 50% of the shares of DynaMex) until the trial occurs. On February 12, 2014 the Company posted a bond in order to freeze the shares.

Legal Dispute #4

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

Status of Project

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

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

On February 15, 2012, DynaUSA announced that it had received the results of a different mineral resource estimate for the San José de Gracia project (the "DynaUSA Estimate"). The DynaUSA Estimate included aggregate indicated mineral resources at Tres Amigos of 892,534 tonnes, with an average grade of 4.46 g/t, totaling 127,921 oz/Au, and at San Pablo of 1,307,509 tonnes, with an average grade of 6.52 g/t, totaling 274,171 oz/Au, and aggregate inferred mineral resources of 3,953,143 tonnes, with an average grade of 5.83 g/t, totaling 740,911 oz/Au. The DynaUSA Estimate includes a higher volume of indicated mineral resources as compared to the mineral resources estimate contained in the technical report released by Goldgroup due to the use of different qualified persons and their corresponding assumptions and parameters. The February 15, 2012 news release issued by DynaUSA and the NI 43-101 Technical Report filed on March 28, 2012 by DynaUSA can be found on SEDAR.

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

1.2.5 Cerro Colorado (Operating Mine)

The Company owns a 100% interest in the Cerro Colorado mine, located in northern Sonora, Mexico. The property consists of seven mineral concessions covering the area of the mine and seven concessions in the immediate vicinity of the mine totalling 12,753 hectares. Gold is produced in doré in Mexico and then shipped to a refiner in the United States for final refining prior to sale. The project is subject to a NSR royalty of 3%. On September 30, 2013, the Company stopped full scale mining operations and is continuing to process gold from the leach pad.

Status of Operations and Outlook

At the Cerro Colorado gold mine, the Company produced 1,843 ounces of gold during the three months ended March 31, 2014 (2013 – 5,254 ounces).

In 2014, the Company will focus its efforts at Cerro Colorado by leaching the existing leach pads.

1.3 Selected Quarterly Information

Three months ended March 31, 2014 versus 2013

<i>(Unaudited - Expressed in 000's)</i>	Three months ended March 31,	
	2014	2013
Metal sales ^(b)	\$2,597	\$7,942
Cost of sales ^(a,b)	2,225	6,202
Depreciation and depletion ^(b)	127	551
Gross profit	245	1,189
Other expenses:		
Administrative expenses	897	1,383
Share of equity loss in DynaMexico	7	13
Write-off of equipment	2	41
Other expenses	66	167
	972	1,604
Loss before income taxes	(727)	(415)
Provision for income taxes:		
Current	132	463
Future	-	110
Net loss for the period	\$(859)	\$(988)
Mark-to-market gain (loss) on available-for-sale securities	90	(295)
Total Comprehensive loss for the period	(769)	(1,283)
Loss per share – basic and diluted	\$(0.01)	\$(0.01)

(a) Cost of sales excludes depreciation and depletion

(b) Sales and costs related to Cerro Prieto project are not included above as they are being capitalized until the project reaches commercial production.

Three months ended March 31, 2014 compared to three months ended March 31, 2013

- Gold sales during the first quarter of 2014 were 2,001 ounces at an average gold price of \$1,286 per ounce compared to 4,791 ounces at an average gold price of \$1,626 per ounce during the same period of 2013. During the first quarter of 2014, the Cerro Colorado gold mine produced 1,844 ounces of gold compared to 5,254 during the same period of 2013.
- Cost of sales of \$2,224,640 represented cash operating costs at the Cerro Colorado gold mine for the first quarter of 2014 or \$1,100 per ounce of gold sold, compared to cash operating costs of \$6,201,979 for the same period in 2013 or \$1,263 per ounce of gold sold. The cash cost per ounce decreased during the first quarter of 2014 as a result of the Company stopping mining operations and reducing direct operating costs.
- Depreciation and depletion of \$127,237 during the three months ended March 31, 2014 resulted primarily from the depreciation on the Cerro Colorado mine plant and equipment compared to \$550,971 during the same period of 2013. The depletion expense is calculated on a unit-of-production basis.
- Administrative expenses were \$897,129 for the quarter ended March 31, 2014 compared to \$1,382,983 during the first quarter of 2013. There was a decrease in the 2014 period as a result of less activity and the cost reductions that were implemented in 2013. The administrative costs are primarily comprised of accounting and legal costs, office and rent expenses, salaries and consulting fees. In both periods, the largest costs were the Dyna lawsuit related legal costs, which was dropped on March 14, 2014.
- Other expenses were \$66,001 for the quarter ended March 31, 2014 compared to \$166,903 during the same period in 2013. In the 2014 period, other expenses are mainly comprised of interest charges on the loan payable and promissory note payable offset by a foreign exchange gain. The 2013 period is mainly comprised of exploration related costs.
- Income tax expense of \$131,711 was recorded in the first quarter of 2014 compared to \$463,410 during the same period of 2013. The income tax expense relates to the mining royalty taxes at Cerro Colorado and Cerro Prieto. Deferred income tax expense of \$Nil was recorded during the three months ended March 31, 2014 compared to \$110,000 during the same period of 2013.

1.4 Planned Exploration and Development Expenditures

As of May 13, 2014, Goldgroup has cash and cash equivalents of approximately \$1,000,000. The Company is currently unhedged. The Company intends to spend the majority of these funds on advancing the Cerro Prieto project and paying down its loan payable.

1.5 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 months ended March 31, 2014 was \$1,293 per ounce. London P.M. fixings of the gold price during the three month period ranged from a low of \$1,221 per ounce on January 8, 2014 to a high of \$1,385 per ounce on March 14, 2014. These prices compare with

averages of \$1,632 and \$1,691 per ounce during the three months ended March 31, 2013 and 2012, respectively. Prices for the three months ended March 31, 2013 ranged from a low of \$1,574 per ounce on March 6, 2013 to a high of \$1,694 per ounce on January 2, 2013.

The Company realized an average price of \$1,286 per ounce on its sales of gold during the first quarter of 2014 compared to an average realized price of \$1,626 and 1,685 for the same periods in 2013 and 2012, respectively.

Gold prices continue to be supported by the physical demand from areas such as China and India. Additionally, the Company also views gold as a safe-haven against currency fluctuations. The Company expects gold prices to remain supported at the current levels.

1.6 Results of Mining Operations

Three months ended March 31, 2014 versus 2013 Cerro Colorado Gold Mine (100% ownership)

Operating Statistics	Three months ended March 31,	
	2014 ^(b)	2013
Ore mined – placed on leach pad (tonnes)		
Waste mined (tonnes)	-	448,474
Total mined (tonnes)	-	1,412,399
	-	1,860,873
Waste-to-ore-ratio	-	3.15
Recovery	-	67%
Grade (g/t Au)	-	0.55
Gold ounces mined	-	7,845
Gold ounces – produced	1,844	5,254
Gold ounces – sold	2,001	4,791
Operating Financial Data <i>(Unaudited - Expressed in 000's)</i>		
Metal Sales	\$2,597	\$7,942
Cost of sales ^(a)	\$2,225	\$6,202
Depreciation and depletion	\$127	\$551
Gross profit	\$245	\$1,189
Net loss for the period	\$(859)	\$(988)
Mark-to-market gain (loss) on available-for-sale securities	\$90	\$(295)
Total Comprehensive (loss) income for the period	\$(769)	\$(1,283)
Basic and diluted loss per share	\$(0.01)	\$(0.01)
Average realized gold price per ounce sold	\$1,286	\$1,626
Cash cost per ounce sold	\$1,100	\$1,263
Exploration – Cerro Colorado	\$6	\$69
Plant and equipment expenditures at Cerro Colorado	\$-	\$-

(a) Cost of sales excludes depreciation and depletion.

(b) With the exception of gold produced and gold sold, operating statistics only included statistics up to September 30, 2013, which is when mining operations stopped at Cerro Colorado.

Three months ended March 31, 2014 versus 2013

- Production for the quarter ended March 31, 2014 decreased by 65% over the same 2013 period, primarily as a result of mining operations stopping in Q3 2013.
- Operating cash costs for the quarter ended March 31, 2014 were \$2,224,640 or \$1,100 per ounce of gold sold including silver by-product credits of \$12 per ounce, compared to \$6,201,979 or \$1,263 per ounce of gold sold for same period in 2013, before silver by-product credits of \$31 per ounce. This represents a decrease of \$163 per ounce over the first quarter of 2013. The cash cost per ounce decreased during the first quarter of 2014 is primarily as a result of there being no mining operations.

1.7 Summary of Quarterly Results

The following selected financial information is derived from financial statements of the Company. The information has been prepared by management in accordance with IFRS and is stated in thousands of US dollars, except per share amounts.

<i>(Unaudited - Expressed in 000's of US dollars)</i>	2014		2013				2012		
	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	
Revenue	2,597	3,325	5,640	8,672	7,942	6,724	6,975	10,172	
Income (loss) from mine operations	245	(511)	(876)	1,481	1,198	(1,996)	(1,333)	2,407	
Total comprehensive (loss) income	(769)	(2,941)	(2,616)	(136)	(1,283)	(6,630)	(2,935)	(786)	
Basic and diluted earnings (loss) per share	(0.01)	(0.02)	(0.02)	0.00	(0.01)	(0.05)	(0.02)	(0.01)	
Cash and cash equivalents	1,559	963	1,778	4,002	5,709	8,488	12,456	14,271	
Total assets	105,552	105,375	107,099	101,489	103,077	104,323	109,408	112,748	
Non-current financial liabilities	1,502	1,402	2,525	4	33	90	202	261	
Cash dividend declared	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	

1.8 Liquidity

Goldgroup's cash and cash equivalents increased by \$595,819 during the three months ended March 31, 2014 compared to a decrease of \$2,778,072 in the same 2013 period. As at March 31, 2014, the ending cash and cash equivalents balance was \$1,558,564 (December 31, 2013 - \$962,745).

Working capital

As at March 31, 2014, the Company had working capital of \$1,975,099 compared to working capital of \$2,337,713 as at December 31, 2013.

A summary of the Company's cash position and changes in cash and cash equivalents for three months ended March 31, 2014 and 2013 are provided below:

	Three months ended March 31,	
	2014	2013
(Unaudited - Expressed in 000's)		
Cash consumed by operating activities – gross	\$ (793)	\$ (202)
Changes in non-cash operating working capital	1,255	(1,144)
Cash generated (consumed) by operating activities - net	462	(1,346)
Cash generated (used) in investing activities	134	(1,433)
Cash provided by financing activities	-	-
Increase (decrease) in cash and cash equivalents	596	(2,779)
Cash and cash equivalents, beginning of period	963	8,488
Cash and cash equivalents, end of period	\$ 1,559	\$ 5,709

Three months ended March 31, 2014 versus March 31, 2013

Operating Activities

Cash consumed by operating activities before changes in non-cash operating working capital during the three months ended March 31, 2014 was \$792,644 compared to \$201,584 during the same period of 2013. The operating cash flow decreased in the quarter ended March 31, 2014 compared to the same period of 2013 primarily as a result of incurring a less operating profit at Cerro Colorado in the 2014 period compared to 2013 period offset by less administrative costs and less exploration work conducted in Mexico in the 2014 period.

Investing Activities

During the three months ended March 31, 2014, the Company generated (invested) cash of \$134,226 compared to \$1,432,568 in the same period of 2013. During the 2014 period, the Company spent \$164,136 on exploration and evaluation expenditures for the Caballo Blanco project and \$111,500 on its investment in DynaMexico. The Company spent \$2,305,780 on development expenditures at the Cerro Prieto project offset by 2,715,642 of gold and silver sales. Exploration and evaluation property expenditures for the Caballo Blanco gold project mainly include land rental costs and concession fees. The investment in DynaMexico relates to Goldgroup's 50% share of concession fees. Development expenditures for the Cerro Prieto project included salaries and consumption costs for running heavy machinery, mine operations, preparation of leach pad and ponds, metallurgical testing and other exploration related costs.

Financing Activities

During the three months ended March 31, 2014, cash flow generated by financing activities was \$nil compared to \$nil in the same period in 2013.

Liquidity Outlook

Goldgroup had cash and cash equivalents of \$1,558,564 available at March 31, 2014, an increase of \$595,819 from the balance at December 31, 2013 of \$962,745, while working capital decreased by \$362,614 to \$1,975,099 at March 31, 2014 from \$2,337,713 at December 31, 2013.

As at December 31, 2013, the Mexican Value-Added-Tax (“VAT”) and Mexican corporate tax receivable balance was \$6.2 million (December 31, 2013 - \$5.75 million). The years that the receivable balances relate to are as follows:

Year of Claim	Amount
2010	\$ 47,448
2011	536,935
2012	2,669,512
2013	2,981,021
Total	\$ 6,234,915

This balance has been presented for refunds and management believes that all amounts will be recovered.

The table below summarizes the maturity profile of the Company’s non-derivative financial liabilities based on undiscounted payments. As the amounts disclosed in the table are the contractual undiscounted cash flows:

As at March 31, 2014 <i>(Expressed in 000's)</i>	Current		Non-current	
	Within 1 year	1 to 3 years	Later than 3 years	
Trade and other accounts payable	\$ 3,525	\$ -	\$ -	
Promissory note payable	-	1,570	-	
Loan payable	4,180	-	-	
Total	\$ 7,705	\$ 1,570	\$ -	

The continuing operations of the Company are dependent upon its ability to arrange additional financing, favourably resolve the legal disputes with DynaUSA, complete the development of Caballo Blanco, including obtaining the necessary permits to operate, and achieving future profitable operations. These matters results in material uncertainties which may doubt on its ability to continue as a going concern.

1.9 Capital Resources

In December 2013 the Company entered into a new office lease agreement whereby the Company has minimum lease payments of \$44,000 per year for the period February 1, 2014 to July 31, 2016. Operating costs and property taxes are estimated to be \$36,000 per year.

The Company has entered into a lease agreement with the owner (a related party) of a nearby water well for the exclusive rights to use water from the well in the operation of the Cerro Colorado Mine. The lease has an indefinite term which runs until cessation of mining activity. No rental fees are charged under this agreement however fees are payable to the Mexican government based on water consumption.

As part of ongoing surface rights land negotiations with local property owners, the Company has entered into surface land purchase agreements whereby it has agreed to pay \$456,000 (5,961,280 pesos) by October 25, 2013 and \$1,875,000 by October 25, 2016 (24,500,000 pesos) for specific surface rights. On October 24, 2013 the Company and the local property owners agreed to defer the surface land rights payments, originally due on October 25, 2013, by six months each and up to another six months in the event that the Company has not commenced construction on the Caballo Blanco project.

Effective November 1, 2011, the Company entered into rental agreements to occupy land located at Caballo Blanco for a period of ten years. The estimated annual rental payments through October 31, 2021 are \$230,000 (3,000,000 pesos).

Effective August 30, 2013, the Company issued a promissory note in the principal amount of \$1,500,000 bearing simple interest at a rate of 8% per annum and payable in six equal monthly instalments of \$250,000 each, commencing on the later of January 31, 2015 and the first day of the month following the date the Project achieves commercial production. The Company is in compliance with the promissory note requirements.

Effective August 30, 2013, the Company borrowed \$4,027,300 (CDN\$4,250,000) (the "Bridge Loan") from a wholly owned subsidiary of a New York-based, private institutional investor (the "Lender"). The Loan is for a term of 16 months and is secured against all of the assets of the Company and its subsidiaries. The interest rate of the loan is 15% per annum. The principal and interest will be repaid with nine equal monthly payments commencing April 30, 2014 and ending December 31, 2014. On April 30, 2013, the Company made the first required monthly loan repayment to the lender in the amount of CDN\$519,445. The Company is in compliance with the loan requirements.

Management expects to meet these commitments by paying the short-term commitments from the Company's treasury and any commitments due more than one year from now will be sourced by either treasury or funds raised through equity or debt.

1.10 Off-Balance Sheet Arrangements

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

1.11 Transactions with Related Parties

19. RELATED PARTY TRANSACTIONS AND BALANCES

Key management	Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include directors, current executive officers and former executive officers (if their relationship ended during the periods disclosed), and the general managers and technical directors of the Company's various operations.
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Related parties other than key management include the estranged spouse and son-in-law of the Chairman and CEO of the Company.

Key management compensation includes:	Three Months Ended March 31,	
	2014	2013
Salaries ¹	\$ 126	\$ 162
Non-executive director fees	33	33
Benefits ¹	7	20
Bonuses ²	-	29
Options ³	11	-
	<u>\$ 177</u>	<u>\$ 244</u>

1. The salaries and benefits are included in costs of sales and administrative expenses and development mine properties.

2. The bonuses are included in cost of sales or administrative costs.

3. The options are included in administrative expenses as share-based compensation expense.

At March 31, 2014, trade and other accounts payable includes \$58,648 (December 31, 2013 - \$71,424) owing to a director and/or officer and/or companies controlled by the directors.

During the three months ended March 31, 2014 the Company paid legal fees totalling \$16,500 (2013: \$nil) to a Company controlled by a director of the Company.

Due to the particulars of Mexican law, it is common for operating companies to employ their workers through a management company. The employees of Granmin Mexico are employed by Pabelini, S.A. de C.V. ("Pabelini"), a company owned by the estranged spouse of the CEO. Under a renewed agreement, dated June 1, 2011 and expiring May 31, 2014, between Granmin Mexico and Pabelini, Pabelini pays all of the Cerro Colorado mine employees and Granmin Mexico administrative personnel and is reimbursed by Granmin Mexico. Pabelini charges a fee equal to 5% of the base salaries of the employees, before additions for statutory remittances. During the three months ended March 31, 2014 this fee totaled \$31,606 (2013 - \$37,136). This fee is meant to reimburse Pabelini for its office costs and administrative overhead costs incurred in managing the payroll and making all required remittances to the Mexican government in association with salaries of such employees. At March 31, 2014, amounts owing from (to) Pabelini totalled \$13,380 (December 31, 2013 - \$(77,150)).

In addition to Pabelini, a number of expatriate workers and Caballo Blanco employees are employed by MINOP, S.A. de C.V. ("Minop"). Minop is a private company controlled by the son-in-law of the CEO. Under a renewed agreement, dated October 1, 2011 and expiring September 30, 2014, Minop charges a service fee equal to 1.5% of base salary for employees earning greater than \$100,000 per year and 3% for employees earning less than \$100,000 base salary per year. During the three months ended March 31, 2014 this fee totaled \$7,394 (2013 - \$9,909). This fee is meant to reimburse Minop for administrative costs incurred by the company in providing these services. At March 31, 2014, amounts owing to Minop totalled \$95,296 (December 31, 2013 - \$80,043).

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

1.12 Proposed Transactions

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

1.13 Critical Accounting Estimates

The preparation of the Company's audited 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.

Significant judgments in applying accounting policies

The critical judgements that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

(i) 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, intangible assets, 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.

(ii) Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

(iii) Functional currency

The functional currency for each of the Company's subsidiaries, joint ventures and investments in associates, is the currency of the primary economic environment in which the entity operates. The Company has determined the functional currency of each entity is the US dollar. Determination of functional currency may involve certain judgements to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Key sources of Estimation Uncertainty

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

(i) Mineral Reserves

Proven and probable mineral 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. Qualified persons are defined in accordance with Canadian Securities Administrators National Instrument 43-101. 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 exploration and evaluation properties, plant and equipment, goodwill, decommissioning and restoration provision, recognition of deferred tax amounts and depreciation and depletion.

The recoverability of the mineral reserve amounts is dependent on the Company's ability to secure and maintain title and beneficial interests in the properties to obtain the necessary financing, to continue the exploration and future developments of the properties, and/or to realize the carrying amount through a sale or partial disposal.

(ii) Depreciation and depletion

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 and depletion 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 and depletion and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

(iii) Inventories

Expenditures incurred, and depreciation and depletion 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 and depletion 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 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.

(iv) 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 and exploration and development property. 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.

(v) Share-based payments

Share-based payments are 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.

For asset acquisitions, contingent share consideration are an estimate of the fair value of the contingent amounts expected to be payable in the future. The fair value is based on number of contingent shares, the share price of the Company on the date of acquisition and management's expectations of probability.

(vi) Contingencies

Due to the size, complexity and nature of the Company's operations, various legal and tax matters are outstanding from time to time. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of the changes in its consolidated financial statements on the date such changes occur.

In the fourth quarter of 2012, the Mexican government amended the Federal labour law regarding subcontracting arrangements to prevent the use of service companies to reduce labour and tax obligations. The Company currently operates in Mexico using these subcontracting arrangements as is the common practice. The amendments also provided clarification on certain regulatory requirements associated with an employer's obligation to compensate employees with appropriate statutory profit sharing within Mexico. The Company has assessed the implications of these amendments and has determined that it is probable that no additional obligation for statutory profit sharing payments is required to be recorded in the Company's consolidated financial statements as at and for the year ended December 31, 2013, other than what is presently recorded.

(vii) Deferred taxes

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

1.14 Changes in Accounting Policies

Accounting standards effective in 2014 are disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2013.

Changes in Accounting Standards that are effective and have been adopted by the Company

The Company has applied the following new and revised IFRSs in these unaudited condensed interim consolidated financial statements.

Levies imposed by governments

In May 2013, the IASB issued IFRIC 21 – Levies (“IFRIC 21”), an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“obligating event”). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the impact of applying IFRIC 21 on its consolidated financial statements.

Changes in Accounting Standards that are not yet effective and have not been early adopted by the Company

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 does not expect any of these standards to have an impact on its consolidated financial statements except as noted below.

Accounting Standards Issued that have Unspecified Effective Date

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.

The Company is currently evaluating the impact, if any, that the new guidance is expected to have on its unaudited condensed consolidated financial statements.

1.15 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, trade and other accounts payable, promissory note payable, loan payable, royalty payable and warrant liability.

Readers are encouraged to read and consider the financial risk factors more particularly described in “Risk Management” described in Note 25 of the Company's audited financial statements for the year ended December 31, 2013, and the Company's approach to the “Management of Capital” described in note 23 to the audited Consolidated Financial Statements for year ended December 31, 2013.

1.16 Basis of Preparation

The Company has prepared its audited consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”). 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 significant accounting policies are described in note 3 of the Company’s audited annual consolidated financial statements as at and for the year ended December 31, 2013 and 2012.

1.17 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 any investment in Goldgroup’s common shares should be considered speculative.

Additional Information

Additional information relating to the Company, including the AIF is available on the SEDAR website at www.sedar.com and on the Company’s website at www.goldgroupmining.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.

Compliance with NI 43-101

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

Marc Simpson, P. Geo., acts as Goldgroup’s in-house qualified person for exploration results for the purposes of NI 43-101, and has reviewed and verified the Technical Information.

The scientific and technical information contained in this document relating to mining operations at Cerro Prieto and Cerro Colorado were under the supervision of Robert Friesen, P. Geo., who is a “Qualified Persons” under National Instrument 43-101 Standards of Disclosure for Mineral Projects. Mr. Friesen has reviewed and verified the Technical Information.

1.17.1 Disclosure of Outstanding Share Data

Goldgroup's authorized capital stock consists of an unlimited number of common shares without par value. As at May 13, 2014, there were 136,436,575 common shares issued and outstanding.

As at May 13, 2014, the Company also had the following options and warrants issued and outstanding:

- 8,577,455 common share options with a weighted average exercise price of C\$0.69 expiring at various dates to June 22, 2017.
- 2,000,000 common share warrants with an exercise price of C\$1.25 expiring on November 26, 2015.

1.17.2 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 concluded that material weaknesses existed due to inadequate segregation of duties between the preparation and review of financial statements and in regard to an employee having inappropriate authorization to enter into binding contracts and agreements. These material weaknesses have the potential to result in a material misstatement in the Company's financial statements, and as such, should be considered material weaknesses in its internal control over financial reporting. Management and the Board of Directors have concluded and agreed that, after taking into account the present stage of the Company's projects and the best interests of its stakeholders, the Company does not have sufficient size and scale to warrant the hiring of additional staff to correct the segregation of duties weakness at this time with respect to the preparation and review of financial statements however the material weakness relating to the Company employee with inappropriate signing authority was remediated subsequent to year end by adding several more signatories and requirement for a minimum of two signatures in order to enter into a binding contract or agreement. Other than the changes made to remediate the inappropriate authorization, there have been no material changes to internal controls over financial reporting since December 31, 2013.

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.

1.17.3 Disclosure Controls and Procedures

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, has 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.

1.17.4 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 and depletion as per the consolidated statement of operations.

Cash Costs for three months ended March 31, 2014 and 2013

	Three months ended	
	March 31,	
	2014	2013
Cost of sales (excluding depreciation and depletion)	\$ 2,224,640	\$6,201,979
Silver by-product credit	(24,118)	(149,255)
	\$ 2200,522	\$ 6,052,724
Gold ounces sold	2,001	4,791
Total cash costs (\$/oz. sold)	\$1,100	\$1,263
Breakdown of cost per ounce sold		
Direct operating costs	\$1,077	\$1,250
3% NSR Royalty	35	44
Less: silver by-product credits	(12)	(31)
Total cash costs (\$/oz. sold)	\$1,100	\$1,263

1.17.5 Investor Relations Activities

Goldgroup is committed to adhering to best investor relations corporate practices. The Company continues to attend prudently selected resource-focused tradeshows, conferences, and non-deal roadshows to ensure continuous communication with current and prospective investors. Currently, the Company is not utilizing any North American-based investor relations external consultants. Additionally, Goldgroup has minimized North American public relations and advertising initiatives as part of a company-wide capital optimization plan.

1.17.6 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.

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.

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.

A mineral concession in Mexico does not confer any ownership of surface rights. The majority of Goldgroup's mineral properties are located in relatively uninhabited areas. There are currently no areas of interest to Goldgroup within its mineral concession that are overlain by significant habitation or industrial users, however there are potential overlapping surface usage issues in some areas. Some surface rights may be owned by local communities or "Ejidos" or by private ranching or residential interests. Goldgroup will require additional surface rights to exploit all resources on its properties. Accordingly, Goldgroup will need to negotiate agreements with private landowners for access and any potential development or exploitation rights. There is no assurance that surface rights agreements that may be necessary for future operations will be obtained when needed, on reasonable terms or at all, which could materially and adversely affect the business of Goldgroup.

Goldgroup is in the process of applying for permits and licences relating to its operations in Mexico. The Company cannot be certain that it will receive the necessary permits and licences at all, or on acceptable terms required to conduct further exploration and to develop its properties and bring them into production. Government approvals and approvals of members of the surrounding communities and permits and licences are currently, and will in the future be, required in connection with the operations of the Company. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing its exploration, development or production activities. The failure to obtain such permits or licences, or delays in obtaining such permits or licences, could increase the Company's costs and delay its activities, and could adversely affect the properties, business or operations of the Company.

Our operations are governed by, and involve interactions with, many levels of government in countries with a history of corruption. Like most companies, we are required to comply with anti-corruption and anti-bribery laws, including the Canadian Corruption of Foreign Public Officials Act, as well as similar laws in the countries in which we conduct our business. In recent years, there has been a general increase in both the frequency of enforcement and severity of penalties under such laws, resulting in greater scrutiny and punishment to companies convicted of violating anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also by its third party agents. It is our policy to implement safeguards to discourage these practices by employees and our consultants. However, our existing safeguards and any future improvements may prove to be less than effective, and our employees and consultants may have engaged or may engage in conduct for which we might be held responsible. Violations of such laws may result in criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition.

Readers of this MD&A should carefully consider the detailed risks set out under the heading “Risk Factors” in the AIF.

Cautionary Statement on Forward-Looking Information

This MD&A contains “forward-looking information” (within the meaning of applicable Canadian securities law) and “forward-looking statements” (within the meaning of the United States Private Securities Litigation Reform Act of 1995) concerning Goldgroup’s plans at its mineral properties and other matters. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Actual results could differ materially from the conclusions, forecasts and projections contained in such forward-looking information.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects”, “is expected”, “anticipates”, “plans”, “projects”, “estimates”, “assumes”, “intends”, “strategy”, “goals”, “objectives”, “potential” or variations thereof or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to materially differ from those reflected in the forward-looking statements, and are developed based on assumptions about such risks, uncertainties and other factors set out herein including, without limitation:

- uncertainties related to actual capital costs, operating costs and expenditures, production schedules and economic returns from Goldgroup’s projects;
- uncertainties associated with development activities;
- uncertainties inherent in the estimation of mineral resources and precious metal recoveries;
- risks related to obtaining appropriate permits and licences to explore, develop, operate and produce at the Company’s projects;
- uncertainties related to current global economic conditions;
- fluctuations in precious and base metal prices;
- uncertainties related to the availability of future financing;
- potential difficulties with joint venture partners;
- risks that Goldgroup’s title to its property could be challenged;
- political and country risk;
- risks associated with Goldgroup being subject to government regulation;
- risks associated with having adequate surface rights for operations;
- environmental risks;
- Goldgroup’s need to attract and retain qualified personnel;
- risks associated with operating hazards at the Cerro Colorado Mine;
- risks associated with potential conflicts of interest;
- Goldgroup’s lack of experience in overseeing the construction of a mining project;
- risks related to the integration of businesses and assets acquired by Goldgroup;
- uncertainties related to the competitiveness of the mining industry;
- risk associated with theft;
- risk of water shortages and risks associated with competition for water;

- uninsured risks and inadequate insurance coverage;
- risks associated with potential legal proceedings;
- risks associated with community relations;
- outside contractor risks;
- risks related to archaeological sites;
- foreign currency risks;
- risks associated with security and human rights; and
- risks related to the need for reclamation activities on Goldgroup's properties.

This list is not exhaustive of the factors that may affect the Company's forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information. Investors should carefully consider the risks discussed in this MD&A as well as those set out under the heading "Risk Factors" in the AIF.

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

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

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

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

similar information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC.