



Management's Discussion and Analysis

Second Quarter – Interim period ended June 30, 2019

(Expressed in U.S. dollars, unless otherwise noted)

August 14, 2019

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 the date of this report, and is intended to supplement and complement the Company's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2019. 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 period ended June 30, 2019.

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 28, 2019 (the "AIF") and the Company's annual audited financial statements and MD&A for the year ended December 31, 2018. Please also refer to the "Cautionary Statement on Forward-Looking Information" at the end of this MD&A.

OVERVIEW

Goldgroup is a Canadian-based gold production, development, and exploration company with a portfolio of projects in Mexico and Ecuador, including its 100% owned Cerro Prieto project in the state of Sonora, 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 and a 55% ownership in the El Mozo project in Ecuador. 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 Ecuador 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 may need to raise additional funds over and above amounts raised to date to continue the development of Cerro Prieto, 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.

HIGHLIGHTS AND DEVELOPMENTS – Q2 2019

Production Highlights

- During the three and six months ended June 30, 2019, the Company produced 4,000 (2018 – 4,516) and 7,269 (2018 – 7,781) ounces of gold, respectively.
- During the three and six months ended June 30, 2019, the company's all-in sustaining cost of production per ounce was \$945 (2018 - \$1,010) and \$1,039 (2018 - \$1,061) and all-in cost per ounce was \$1,157 (2018 - \$1,201) and \$1,215 (2018 – \$1,256) respectively. ⁽¹⁾

(1) Cash cost is a non IFRS measure. See "Non IFRS Measures"

OUTLOOK

The Company's main objective is to maintain sustainable cash flows from operations on its projects. Prior to the second quarter in 2018, the Company primarily focussed on its 100% owned Cerro Prieto project. However, in April 2018 until the end of Q1 2019, the Company also commenced extraction and operations on its new Batamote project. The capital earned on these projects will allow the company to have sufficient resources and time to favourably resolve the San Jose de Gracia project and advance El Mozo into production.

Main areas of focus for 2019 include:

- Batamote – during the second quarter of 2018, the Company commenced extraction and operations from the Batamote project which is currently under option. At the end of Q1 2019, management has ceased operations from Batamote and has switched back to production from Cerro Prieto.
- Cerro Prieto – management reduced production during the latter part of Q2 2018 and has performed exploration work and a pushback of the central pit which prepared Cerro Prieto for operation when production resumed in Q2 2019.
 - Management is pursuing exploration of nearby areas within our concessions to extend mine life beyond the current two years and potentially increase production.
- San José de Gracia – continue to work with the Government of the State of Sinaloa and through legal proceedings bring serious pressure on the Dyna USA chairman, with the goal of bringing a resolution to the conflict with DynaUSA and moving the project into production.
- El Mozo, Ecuador – continue the environmental assessment and permitting processes to advance this property to production.

Going concern

The Company has experienced recurring operating losses and has an accumulated deficit of \$140.2 million at June 30, 2019 (December 31, 2018 – \$140.2 million). In addition, as at June 30, 2019, the Company has working capital deficit of \$3.1 million (December 31, 2018 – working capital deficit of \$3.1 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 and resolving the legal disputes with DynaResource, Inc. ("DynaUSA"). These matters result in material uncertainties which may cast significant doubt about the Company's 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 the financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the classifications used in the statement of financial statement.

CERRO PRIETO PROJECT, MEXICO

Overview

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. Cerro Prieto 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. Cerro Prieto is subject to a 2% NSR royalty payable upon production in addition to a production royalty payable to Oroco Resource Corp. 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.

In March 2016, the Company commissioned an independent review of the Mineral Resource estimate for Cerro Prieto. This study was undertaken to ensure that management has appropriate information regarding efficient extraction of mineralized material identified at its Cerro Prieto mineral deposit.

By incorporating exploration drilling results acquired subsequent to the last Mineral Resource update of 2013 and assessing production information accumulated by the Company since commencement of test mining operations in December 2013, an update to the previously defined Mineral Resources has been completed. Highlights of this update are as follows:

- Virtually all resource blocks potentially amenable to open-pit surface mining have been reclassified to the Measured or Indicated Mineral Resource classification;
- Un-mined mineralized material within the oxide portion of the Cerro Prieto mine plan (through 2019) have been estimated to aggregate 2,478,000 tonnes grading 1.35 g/t gold, for 108,000 gross ounces (as at December 31, 2015);
- Within the reclassified Mineral Resource blocks above the 1,000 meter elevation to the Q1 2016 topographic surface (the surface after mining from Q4 2013 to Q1 2016) certain portions are candidates for upgrade to Proven or Probable Mineral Reserves; and
- Depending on the outcome of certain economic viability tests, which are currently under way, 2,341,000 tonnes grading 1.35 g/t gold are candidates for classification to the Proven plus Probable Mineral Reserve classification. An additional 137,000 tonnes grading 1.51 g/t gold are classified as Measured plus Indicated Mineral Resources.

Management is currently pursuing exploration within the Cerro Prieto concessions to extend mine life beyond the current two years and potentially increase the current production rate.

Estimates of Mineral Reserves necessarily depend upon a number of variable factors and assumptions, all of which may vary from the actual results, such as: changes in commodity prices, international exchange rates, taxation of environmental regulations, or unforeseen changes in geological or mining conditions.

A determination of Mineral Resources and Mineral Reserves prepared by a QP are estimates based on technical assumptions that comply with applicable mining standards. Though preparation of the estimates are conducted in accordance with relevant mining standards, the estimates are subject to a number of uncertainties inherent in estimating quantities and classification of Mineral Resources and Mineral Reserves, including the QP’s assessment of available financial, technical, geological, and contractual information. Therefore, such statements should not be interpreted as assurances of mine life or a measure of the profitability of future operations, particularly in these times of global economic uncertainty.

Scientific and technical information relating to Cerro Prieto presented above has been approved by Rodney A. Blakestad, J.D., C.P.G., who by reason of education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, fulfills the requirements of a Qualified Person as defined in NI 43-101, and he is Independent of the issuer applying all of the tests in Section 1.5 of NI 43-101CP.

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 Cerro Prieto. 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.

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.

BATAMOTE, MEXICO

During the year ended December 31, 2017, the Company entered into an option agreement to purchase an additional exploration property in close proximity to the Cerro Prieto mine for \$4,000,000. During the second quarter of 2018, the Company commenced extraction and operations on the project and as management determined that operating results, which includes the grade and volume of material mined, are being achieved consistently and there are indicators that these operating results will continue the Company has determined that it reached operations on April 1, 2018 for accounting purposes. All of the Company’s production for Q1 2019 came from this property and the Company has ceased operations from Batamote at the end March 31, 2019.

The option payments per the agreement are as follows:

Date	Obligation (000’s)
Upon signing	• Payment of \$75 (Paid)
March 9, 2017	• Payment of \$37.5 (Paid)
April 9, 2017	• Payment of \$37.5 (Paid)
February 9, 2018	• Payment of \$428 (Paid)
August 9, 2018	• Payment of \$428 (Paid)
February 9, 2019	• Payment of \$428*
August 9, 2019	• Payment of \$428
February 9, 2020	• Payment of \$428
August 9, 2020	• Payment of \$428
February 9, 2021	• Payment of \$428
August 9, 2021	• Payment of \$428
February 9, 2022	• Payment of \$428

* During the period ended March 31, 2019, the Company renegotiated the \$428,000 February 9, 2019 payment to be \$100,000 on February 9, 2019 (paid) and then 5 subsequent \$65,555 payments until August 9, 2019, at which point the

original contracted payment schedule would be followed. The February and March 2019 payments have been made. The Company ceased mining from Batamote at the end of the period ended March 31, 2019 and will no longer make any payments according to the above schedule.

	Batamote (000's)
Balance December 31, 2017	\$ 320
Acquisition costs	856
Capitalized costs	53
Depreciation	(1,135)
Balance December 31, 2018	94
Acquisition costs	165
Capitalized costs	-
Depreciation	(259)
Balance June 30, 2019	\$ -

SAN JOSÉ DE GRACIA PROJECT, MEXICO

Overview

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 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.

Legal disputes

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

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 the Company has wrongfully used and disseminated confidential information and data belonging to DynaResource, and materially misrepresented Goldgroup’s ownership interest in SJG. Goldgroup owns a 50% interest in DynaMexico, which owns 100% of SJG. Goldgroup has properly disclosed its interest in SJG, has not materially misrepresented it, and has not improperly used any DynaResource confidential information. Goldgroup denies all such allegations by DynaResource, has moved to dismiss the lawsuit, and intends to vigorously defend itself and its interests.

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

On March 11, 2014 DynaResource dropped its lawsuit against the Company.

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

On June 29, 2015 a Mazatlán Judge denied DynaMex the request for an “amparo”, which is, by Mexican Law, an appeal to the injunction obtained by Goldgroup against DynaMex regarding the 300 new shares of DynaMex issued in favor of DynaUSA. The issuance of the DynaMex shares to DynaUSA diluted Goldgroup’s ownership interest (from 50% to 20%) in DynaMex with DynaUSA purporting to be an owner of 80% of DynaMex.

On October 13, 2015 the Company was made aware of a news release disseminated by DynaResource de Mexico SA de C.V. (“Dyna”). Goldgroup was never notified of the purported court case discussed, does not recognize any of the claims mentioned therein and is of the belief that such claims are without merit. The Company is reviewing its options and intends to exercise all of its legal rights in order to have the purported judgement discussed in the news release disregarded, set aside or otherwise overturned, and further will seek damages for misrepresentation against Dyna and all relevant parties.

During the year ended December 31, 2015, management concluded that due to the ongoing legal disputes the Company no longer has significant influence over DynaMexico and therefore discontinued treating the investment as an investment in associate. There was no impact on the statement of financial position or statement of loss or comprehensive loss as the investment was impaired to \$nil during fiscal 2014.

During the year ended December 31, 2016 the Company received the favorable results and award from the conclusion of the arbitration between the Company and DynaUSA. The results and award were issued by the American Arbitration Association – International Centre for Dispute Resolution (“Arbitrator” or “ICDR”) on August 24, 2016. This Award is final, binding and may be enforced in court.

Results and Award from Arbitration

The Arbitrator concluded that there is no doubt that DynaUSA has failed to do what they are obligated to do under an Earn-In/Option Agreement with Goldgroup, dated September 1, 2006 (the “Agreement”).

The Award, in summary, clarifies several doubts arising from misleading news releases issued by DynaUSA:

The Award confirms that the Agreement is in full force and effect;

- The expenditures made by DynaUSA without the approval of the joint Management Committee have to be reimbursed to DynaResource Mexico S.A. de C.V. (“DynaMexico”), an entity in which Goldgroup owns 50% equity of, since Goldgroup did not participate in those decisions;
- A detailed accountability assessment by DynaUSA must be done for Goldgroup for the last 5 years when DynaUSA excluded Goldgroup from the management of DynaMexico and delivered to Goldgroup within 20 days of the issuance of the Award;
- The use of the Power of Attorney of Mr. K.D. Diepholz did not provide authorization for Mr. Diepholz to circumvent the Management Committee’s power to approve and oversee expenditures;
- DynaUSA has acted in bad faith and breached the terms of the Agreement;
- Certain amounts must be reimbursed to Goldgroup which includes and not limited to the fees paid and to be paid in the Mexico City case related to the current dispute;
- A fifth director must be jointly appointed in DynaMexico and the names of prospective candidates exchanged by the parties, no later than 10 calendar days from the date of the Award ; and

- The deliberate dilution by DynaUSA of Goldgroup's equity interest in DynaMexico was illegal and therefore invalid.

The Company has complied with all requirements set out in the Arbitration award and has yet to receive any payment or required documentation from DynaUSA or Dyna Mexico.

On August 24, 2017, a Federal Amparo judge in the state of Veracruz, Mexico, dismissed Goldgroup Resources Inc.'s Amparo challenge. Goldgroup's position in response to the USD\$48 million claim remains the same, that Goldgroup was never notified of the purported court case, and does not recognize any of the claims mentioned therein and is of the belief that such claims are entirely without merit. More importantly, the Company expects the claim to be voided at the Mexican Supreme Court level due to the unambiguous arbitration result in favor of Goldgroup discussed above.

In February 2018, the Company received the recommendation of the magistrate judge in Denver, who has recommended that the Company's application to confirm the arbitration award be denied. The Company has filed an objection which will request the judge to reject the recommendation and confirm the arbitration award.

On May 9, 2019, the Company received a final judgment in the United States District Court for the District of Colorado confirming the Company's Results and Award from Arbitration discussed above.

Following the arbitration, DynaUSA filed thousands of pages of briefing and exhibits in an attempt to convince the court to vacate the arbitration award. The May 9th order denied DynaUSA's motion to vacate the award and rejected the recommendation of a United States Magistrate Judge, who had agreed with DynaUSA that the arbitration award should be thrown out.

In granting the Company's application to confirm the arbitration award, the Court set forth a detailed history of the matter, including DynaUSA's practice of filing similar actions in different forums to reach an outcome it deemed favorable. The Court pointed out a jurisdictional ruling from a Denver federal court that was unfavorable to DynaUSA and a later jurisdictional ruling from a Mexico City court that benefitted DynaUSA. Because DynaUSA had initiated both of those actions, the Court found DynaUSA's conduct and arguments, in seeking the same determination from two different courts, to be "disingenuous." The conflicting rulings DynaUSA received in those actions were, according to the Court, "of its own making."

The court's order confirms all of the relief outlined in the August 2016 arbitration award, including DynaUSA having to: pay the Company \$403,914 in costs and attorney fees; pay the Company \$85,613 in separate fees and expenses; and pay DynaResource de Mexico, S.A. de C.V. ("DynaMexico")—an entity in which the Company owns a 50% equity interest—\$1,044,952 for various legal and other expenses that DynaUSA improperly caused DynaMexico to incur.

Many initiatives and legal proceedings are in progress in order to resolve the dispute.

Status of Project

The Government of the State of Sinaloa (the "Sinaloa Government") has taken steps to attempt to bring a resolution to the dispute over the high-grade San José de Gracia gold project. Recently, the Sinaloa Government have requested that Goldgroup and DynaUSA resolve their differences through mediation with the Sinaloa Government acting as facilitator to that mediation. This process has commenced with meetings between Goldgroup, DynaUSA and the Sinaloa Government. Goldgroup expects to find a resolution to this issue in the near-term.

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 (913,000 tonnes @ 5.00g/t Au, 10.72g/t Ag, 0.21% Cu, 0.54% Zn), and growing inferred mineral resources at all four veins from 618,000 to 963,000 ounces of gold (5.813 million tonnes @ 5.16g/t gold, 10.26g/t silver, 0.21% copper and 0.16% zinc) and 1.917 million ounces of silver, 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.

EL MOZO PROJECT, ECUADOR

The 1,776 hectare El Mozo Project is located approximately 60km south of the city of Cuenca in southern Ecuador. A total of 120 core holes (18,722 metres) have been drilled on the property by previous workers, focused primarily on three zones with near surface oxide gold mineralization. Preliminary metallurgical test work indicates these oxide zones are amenable to low cost heap leaching.

Acquisition of 0990718 B.C. Ltd.

On July 17, 2015 the Company signed the Definitive Agreement to acquire all of the issued and outstanding shares of 0990718 B.C. Ltd. (the “vendors”) in exchange for the issuance of an aggregate of 5,500,000 common shares of the Company to the shareholders of 0990718 pursuant to a share exchange agreement with the Vendors (the “Share Exchange Agreement”). In addition to the common shares, the Company granted to the Vendors an aggregate 1% net smelter returns royalty (“NSR”) on Goldgroup’s ownership portion in the El Mozo Project pursuant to a net smelter returns royalty agreement (the “Royalty Agreement”). Under the Royalty Agreement Goldgroup has the right to repurchase the Vendors’ NSR for consideration of:

- \$1,000,000 paid on or before the date (the “Repurchase Date”) which is the later of January 17, 2017 and the date permits for commercial production on the El Mozo Project are granted; or
- \$1,500,000 paid on or before the date which is 30 months following the Repurchase Date; or
- \$2,500,000 paid on or before the date which is 42 months following the Repurchase Date.

The consideration for the NSR royalty repurchase can be paid in cash or in common shares, at the Company’s option.

Option agreement terms

Under the Option Agreement, 0990718 BC Ltd. may earn an 80% interest in the El Mozo Project by fulfilling the following requirements:

Earn in % of El Mozo Project	Obligation
15%	<ul style="list-style-type: none"> • Paying the Optionor \$50,000 on or before June 13, 2016 (paid)
35%	<ul style="list-style-type: none"> • Fulfilled obligation to earn in 15% • Paying the Optionor \$60,000 on or before June 13, 2017 (paid)
55%	<ul style="list-style-type: none"> • Fulfilled obligation to earn in 35% • Paying the Optionor \$100,000 on or before June 13, 2018 (paid) • Incurred at least \$1,000,000 in exploration expenditures on or before June 6, 2018 (incurred)
80%	<ul style="list-style-type: none"> • Fulfilled obligation to earn in 55% • Paying the Optionor \$150,000 on or before June 13, 2019* • Incurred at least \$1,000,000 (total \$2,000 accumulated) in exploration expenditures on or before June 12, 2019 • Issuing \$500,000 of common shares of Goldgroup to Optionor on or before June 13, 2019.

*The Company is currently renegotiating the 80% earn-in payment with the vendor.

These earn-in obligations must be fulfilled on or before June 13, 2019 and in the event that the Company does not fulfill an earn-in requirement the Option Agreement will terminate and any interest earned will be forfeited and revert to the Optionor. Upon successful earn-in on the El Mozo Project by 0990718, the Optionor has the right to convert its 20% interest in the El Mozo Project into a 2% net smelter returns royalty (“NSR”). If the Optionor converts its interest into a 2% NSR, 0990718 will have the right to purchase 50% of this NSR royalty by paying:

- \$1,000,000 (if estimated mineral resources are less than 500,000 gold equivalent ounces), or
- \$1,500,000 (if estimated mineral resources are equal to or greater than 500,000 but less than 1,000,000 gold equivalent ounces), or
- \$2,000,000 (if estimated mineral resources are equal to or greater than 1,000,000 gold equivalent ounces).

	El Mozo Expenditures (000's)
Balance December 31, 2017	\$ 1,950
Acquisition costs	100
Capitalized costs	176
Balance December 31, 2018	2,226
Capitalized costs	81
Balance June 30, 2019	\$ 2,307

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Operating Statistics	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Ore mined (tonnes)	206,432	248,111	403,059	440,681
Waste mined (tonnes)	1,271,282	1,575,313	2,463,685	3,051,453
Total mined (tonnes)	1,477,714	1,823,424	2,866,744	3,492,134
Waste-to-ore-ratio	6.16	6.35	6.11	6.92
Ore to pad (tonnes)	159,552	211,290	375,190	391,762
Recovery	59%	76%	59%	61%
Grade of ore mined (g/t Au)	1.32	0.90	1.08	0.99
Grade of ore placed on pad (g/t Au)	1.30	0.88	1.03	1.02
Gold ounces – produced	4,000	4,516	7,269	7,781
Gold ounces – sold	3,719	4,528	7,280	8,614
All-in sustaining cash cost per ounce ⁽¹⁾	\$ 945	\$ 1,010	\$ 1,039	\$ 1,061
All-in cash cost per ounce ⁽¹⁾	\$ 1,157	\$ 1,201	\$ 1,215	\$ 1,256
Average realized gold price per ounce sold	\$ 1,302	\$ 1,311	\$ 1,303	\$ 1,314

(1) Cash cost is a non IFRS measure. See “Non IFRS Measures”

Six months ended June 30, 2019 compared to six months ended June 30, 2018

The total ore to pad was lower than the comparative period with the grade being slightly higher and the recovery being slightly lower with the net result being less ounces produced. The varying statistics is the result of the Company producing from Cerro Prieto in the current period and from the Batamote project in the comparative period. All-in sustaining and all-in cash costs are similar between the periods.

Three months ended June 30, 2019 compared to three months ended June 30, 2018

The total ore to pad was lower than the comparative period, although the grade was significantly higher and the recovery significantly lower. The varying statistics is the result of the Company producing from Cerro Prieto in the current period and from the Batamote project in the comparative period. The net result was total gold produced being lower than the comparative period. All-in sustaining and all-in cash costs are lower due to cost cutting initiatives implemented by management and not paying Batamote contractor expenses.

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
<i>(table amounts are expressed in thousands of U.S dollars)</i>				
Metal sales	\$ 4,954	\$ 6,190	\$ 9,674	\$ 11,938
Cost of sales	(3,421)	(5,292)	(7,463)	(9,108)
Depreciation and depletion	(550)	(1,082)	(1,111)	(1,822)
Gross (loss) profit	983	(184)	1,100	1,008
General and administration ^(a)	(851)	(875)	(1,288)	(1,587)
Finance cost, net	(86)	(78)	(182)	(154)
Foreign exchange (loss) gain	19	59	(30)	16
Warrant liability – unrealized (loss) gain	2	55	6	21
Gain on investments	461	161	573	229
Gain (loss) on disposal of property, plant and equipment	3	-	3	-
Other income	20	(12)	29	15
Income (loss) before income taxes	551	(874)	211	(452)
Provision for income taxes:				
Current	(41)	(15)	(188)	(457)
Future	-	530	-	326
Net loss	510	(359)	23	(583)
Other comprehensive income (loss)	-	-	-	-
Total comprehensive income (loss) for the period	\$ 510	\$ (359)	\$ 23	\$ (583)
Basic & diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)

(a) General and administration expense include amortization expense, non-cash stock based compensation expense, salary and consulting expense, professional fees and exploration expense.

	As at June 30,	
	2019	2018
<i>(table amounts are expressed in thousands of U.S dollars)</i>		
Cash and cash equivalents	\$ 232	\$ 1,147
Total assets	14,683	15,647
Non-current financial liabilities	285	350
Lease liabilities	461	-
Cash dividends declared	\$ 0.00	\$ 0.00

Six months ended June 30, 2019 compared to six months ended June 30, 2018 (in '000's)

Gross profit was \$1,100 in the current period which is similar to the gross profit of \$1,008 in the comparative period.

General and administration expenses were lower in the current period when compared to prior year's comparative period due to management's cost cutting initiative implemented in the current year. Finance cost is higher than the comparative period due to lease interest being recorded in 2019 due to the adoption of IFRS 16 which is not present in the comparative period. The Company realized a gain on investments of \$573 due to the mark-to-market gain in the period. Foreign exchange and warrant liability unrealized gain fluctuated dependent on volatility of the market conditions.

Income tax expense and recovery fluctuated dependent on level of mining activity. Non-cash deferred income tax expense for accounting purpose depends on the difference between carrying value for accounting purpose and tax basis.

Cash and cash equivalents decreased in the current period when compared to prior years due to the repayment of the Accendo loan. Total assets were lower than prior year due to a decrease in cash and cash equivalents, inventory and property and equipment. Non-current financial liabilities decreased due to a decrease in the loan payables which are being repaid.

Lease liabilities increased in the current period due to the adoption of the new lease accounting standard.

Three months ended June 30, 2019 compared to three months ended June 30, 2018 (in '000's)

Gross profit was \$983 in the current period compared to a gross loss of \$184 in the comparative period. The increased profit was due to no Batamote lease payments being depreciated as the Company began producing from Cerro Prieto in the current period.

General and administration expenses in the current period were similar to the comparative period. Finance cost in the current period were similar to the comparative period. The Company realized a gain on investments of \$461 due to the mark-to-market gain in the period. Foreign exchange and warrant liability unrealized gain fluctuated dependent on volatility of the market conditions.

Income tax expense and recovery fluctuated dependent on level of mining activity. Non-cash deferred income tax expense for accounting purpose depends on the difference between carrying value for accounting purpose and tax basis.

Cash and cash equivalents decreased in the current period when compared to prior years due to the repayment of the Accendo loan. Total assets were lower than prior year due to a decrease in cash and cash equivalents, inventory and property and equipment. Non-current financial liabilities decreased due to a decrease in the loan payables which are being repaid.

Lease liabilities increased in the current period due to the adoption of the new lease accounting standard.

QUARTERLY RESULTS

<i>(table amounts are expressed in thousands of U.S. dollars)</i>	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Revenue	4,954	4,720	4,755	4,400	6,190	5,748	5,511	4,407
Income (loss) income from mine operations	983	117	268	(587)	(184)	1,192	1,418	579
Net income (loss)	551	(487)	(1,248)	(1,393)	(359)	(224)	1,647	(224)
Other comprehensive income (loss)	-	-	-	-	-	-	10	79
Total comprehensive income (loss) for the period	551	(487)	(1,248)	(1,393)	(359)	(224)	1,657	(145)
Basic and diluted earnings (loss) per share	0.00	(0.00)	(0.01)	(0.01)	0.00	(0.00)	0.01	(0.00)
Diluted earnings (loss) per share	0.00	(0.00)	(0.01)	(0.01)	0.00	(0.00)	0.01	(0.00)
Cash and cash equivalents	232	94	329	357	1,147	991	1,376	479
Total assets	14,683	14,277	14,519	14,998	15,647	16,484	16,419	15,752
Non-current financial liabilities	285	512	741	701	350	672	869	1,144
Cash dividend declared	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Total ounces produced	4,000	3,269	4,054	3,595	4,516	3,265	4,682	3,456
Total ounces sold	3,719	3,561	3,773	3,587	4,528	4,086	4,195	3,285
All-in sustaining cash cost per ounce ⁽¹⁾	945	1,154	1,039	1,203	1,010	1,207	769	947
All-in cash cost per ounce ⁽¹⁾	1,157	1,286	1,143	1,405	1,201	1,410	918	1,210

(1) Cash cost is a non IFRS measure. See “Non IFRS Measures”

Three months ended June 30, 2019 statement of losses compared with previous quarters in 2019, 2018 and 2017

Revenue has fluctuated over the years as the Company has switched from producing at Cerro Prieto to Batamote and back to Cerro Prieto in the current period. The average grade and recovery are different for each ore body and thus produce different results. Revenue in the current quarter was \$4.9 million which is similar to Q1 2019 and Q4 2018, lower than Q2 2018, Q1 2018 and Q4 2017 and higher than Q3 2018 and Q3 2017. The fluctuations in revenue is the result from fluctuation in ounces sold and the prevailing gold price. Income from operations was \$1.0 million in the current quarter which was higher than the comparative quarters other than in Q1 2018, and Q4 2017.

Net income was \$0.6 million in the current quarter was higher than the comparative quarters other than Q4 2017. The increase was due to cost cutting initiatives in the current quarter in addition lower cash costs and no large one-time expenses being incurred in the current period like the comparative periods.

Total comprehensive income was \$0.6 million in the current quarter which was higher than the comparative quarters other than Q4 2017. The increase was due to cost cutting initiatives in the current quarter in addition lower cash costs and no large one-time expenses being incurred in the current period like the comparative periods.

Other comprehensive income (mark to market income) was nil in the current quarter due to the Company electing to record changes in the investment balance through profit or loss.

Total gold produced has fluctuated over the years as the Company has switched from producing at Cerro Prieto to Batamote and now back to Cerro Prieto in the current period. The average grade and recovery are different for each ore body and thus produce vastly different results.

All-in sustaining cash cost and all-in cash cost per ounce has fluctuated over the years as the Company has switched from producing at Cerro Prieto to Batamote and now back to Cerro Prieto. The average grade and recovery are different for each ore body and thus produce vastly different results.

Total assets and non-current liabilities as at June 30, 2019 compared with previous quarters in 2019, 2018 and 2017

Total assets have decreased over the years as a result of the Company depleting the Cerro Prieto mine during production from this project and the depleting of Batamote payments during production from this project.

Non-current liabilities fluctuate from quarter to quarter because of the repayment of the Credipresto Facility and portion of the loan payable and the reclassification of the loan payable to non-current liabilities in the current quarter.

LIQUIDITY AND CAPITAL RESOURCES

A summary of the Company’s cash position and changes in cash and cash equivalents for:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
<i>(tabled amounts are expressed in thousands of U.S. dollars)</i>	2019	2018	2019	2018
Cash provided by (used in) operating activities	\$ 202	\$ 440	\$ 573	\$ 1,005
Cash provided by (used in) investing activities	308	(284)	40	(1,243)
Cash provided by (used in) financing activities	(372)	-	(710)	-
Increase (decrease) in cash	138	156	(97)	(229)
Cash and cash equivalents, end of period	\$ 232	\$ 1,147	\$ 232	\$ 1,147

Six months ended June 30, 2019 versus June 30, 2018

Cash inflow from operating activities were lower in the current period due to cash flow from mining operations and the change working capital items (e.g. decrease in accounts receivables), net of corporate expenses.

Cash used in investing activities were significantly lower due to the purchase of crusher and the Company's investment in its exploration projects in the prior year which were not incurred in the current period in addition to the Company selling some of the investments in the current quarter.

Cash used in financing activities related to the repayment of loan payable and lease payments recorded in the current period due to the adoption of the new lease accounting standard.

Three months ended June 30, 2019 versus June 30, 2018

Cash inflow from operating activities were lower in the current period due to cash flow from mining operations and the change working capital items (e.g. decrease in accounts receivables), net of corporate expenses.

Cash used in investing activities were significantly lower due to the purchase of crusher and the Company's investment in its exploration projects in the prior year which were not incurred in the current period in addition to the Company selling some of the investments in the current quarter.

Cash used in financing activities related to the repayment of loan payable and lease payments recorded in the current period due to the adoption of the new lease accounting standard.

Cash and cash equivalents have decreased from \$1,147 in the prior period to \$232 in the current period due to the repayments of the Accendo loan and exploration expenditures made. The continuing operations of the Company are dependent upon its ability to arrange additional financing and resolving the legal disputes with DynaResource, Inc. ("DynaUSA"). These matters result in material uncertainties which may cast significant doubt about the Company's on its ability to continue as a going concern.

SHAREHOLDER'S EQUITY

Goldgroup's authorized capital stock consists of an unlimited number of common shares without par value. As at June 30, 2019, the Company had 185,136,689 common shares, 15,455,000 stock options and 3,500,000 share purchase warrants outstanding. As at the date of this report, the Company had 185,136,689 common shares, 15,455,000 stock options and nil share purchase warrants outstanding.

Table below provides a summary of the stock options outstanding:

Balance as at June 30, 2019 and as at the date of this report

Expiry date	Number of stock options	Number of stock options (vested)	Exercise price (CDN\$)
February 12, 2020	3,300,000	3,300,000	0.145
December 8, 2020	3,615,000	3,615,000	0.06
October 26, 2021	5,820,000	5,820,000	0.27
January 23, 2023	2,720,000	2,040,000	0.07
Balance as at June 30, 2019 and as at the date of this report	15,455,000	14,775,000	

Table below provides a summary of the share purchase warrants outstanding as at June 30, 2019:

Expiry date	Number of warrants	Exercise price (CDN\$)
July 18, 2019	3,500,000	0.10
Balance as at June 30, 2019	3,500,000	0.10

REGULATORY DISCLOSURES

Off balance sheet arrangements

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

Proposed Transactions

The Company does not have any proposed transactions as at June 30, 2019 other than as disclosed elsewhere in this document.

Financial instruments

Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

Fair value measurements

The accounting classification and of each category of financial instruments, and the level within the fair value hierarchy in which they have been classified are set out below:

Denominated in '000 USD	Fair Value Hierarchy Level	June 30, 2019	December 31, 2018
Financial assets			
<i>Amortized cost</i>			
Cash and cash equivalents ⁽¹⁾	N/A	232	329
Receivables ⁽¹⁾	N/A	305	74
<i>Fair value through profit or loss</i>			
Investments	Level 1	589	367
Financial liabilities			
<i>Other financial liabilities</i>			
Accounts payable & accrued liabilities ⁽¹⁾	N/A	5,820	5,518
Loan payable ⁽³⁾	N/A	1,183	1,633
<i>Derivative</i>			
Warrant liability ⁽²⁾	Level 3	2	8

(1) The carrying value of cash and cash equivalents, receivables, accounts payable and accrued liabilities approximates fair value due to the short-term nature of these items.

- (2) The Company applies a standard Black-Scholes model to value the warrant liability.
- (3) Loans payable is presented on an amortized cost basis and will be accreted to its face amount over the term to maturity of the loan at an effective interest rate.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and receivables. The majority of the Company's cash and cash equivalents are held through large Canadian financial institutions. Receivables are primarily due from government agencies.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in the capital management section below. The accounts payable and income taxes payable are due within the current operating period. The Company is exposed to liquidity risk.

Market Risk

The Company's financial instruments include investments which are publicly traded and therefore subject to the risks related to the fluctuation in market prices of publicly traded securities. Some of these investments have been acquired as a result of property transactions and, to a large extent, represent strategic investments in related mining companies and their properties. The Company closely monitors market values to determine the most appropriate course of action.

Price Risk

Price risk is the risk that the trading price of the Company's shares will fluctuate and result in an increase or decrease in value of the warrant liability.

Commodity Price Risk

The Company is exposed to commodity price risk given that its revenues are derived from the sale of metals, the price of which have been historically volatile.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company is exposed from time to time to interest rate risk as a result of holding fixed income cash equivalents and investments, of varying maturities and loans payable. A 1% change in market interest rates would result in no significant change in value of cash and cash equivalents or fixed income securities. The risk that the Company will realize a loss as a result of a decline in the fair value of these assets is limited as they are generally held to maturity.

Foreign Exchange Risk

The Company operates in Canada, Mexico and Ecuador and is exposed to foreign exchange risk arising from transactions denominated in foreign currencies.

The operating results and the financial position of the Company are reported in United States dollars. Fluctuations of the operating currencies in relation to the United States dollar will have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities.

The Company's financial assets and liabilities as at June 30, 2019 are denominated in United States Dollars, Canadian Dollars, and Mexican Pesos, and are set out in the following table:

Denominated in '000 USD	Canadian Dollars	US Dollars	Mexico Pesos	Total
Financial assets				
Cash and cash equivalents	\$ 99	\$ 111	\$ 22	\$ 232
Receivables - other	13	260	32	305
Investments	589	-	-	589
	701	371	54	1,126
Financial liabilities				
Accounts payable and accrued liabilities	(168)	(2,797)	(2,855)	(5,820)
Loan payable	-	(1,183)	-	(1,183)
Net financial (liabilities) assets	\$ 533	\$ (3,609)	\$ (2,801)	\$ (5,877)

The Company's financial assets and liabilities as at December 31, 2018 are denominated in United States Dollars, Canadian Dollars, and Mexican Pesos, and are set out in the following table:

Denominated in '000 USD	Canadian Dollars	US Dollars	Mexico Pesos	Total
Financial assets				
Cash and cash equivalents	\$ 30	\$ 294	\$ 5	\$ 329
Receivables - other	45	-	29	74
Investments	367	-	-	367
	442	294	34	770
Financial liabilities				
Accounts payable and accrued liabilities	(232)	(2,525)	(2,761)	(5,518)
Loan payable	-	(1,633)	-	(1,633)
Net financial (liabilities) assets	\$ 210	\$ (3,864)	\$ (2,727)	\$ (6,381)

The Company's reported results will be affected by changes in the US dollar to Canadian dollar and US dollar to Mexican Pesos exchange rate. As of June 30, 2019, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial assets by approximately \$53,000 (December 31, 2018 - \$21,000). A 10% depreciation of the US Dollar relative to the Canadian dollar would have had the equal but opposite effect. A 10% appreciation of the Mexican Pesos relative to the US dollar would have decreased net financial asset by approximately \$280,000 (December 31, 2018 - \$272,000) and a 10% depreciation of the Mexican Pesos would have had an equal but opposite effect. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risk.

The table below summarizes the maturity profile of the Company's non-derivative financial liabilities:

June 30, 2019 (Denominated in '000 USD)	Current – within 1 year	Non- current – 1 to 3 years
Accounts payable and accrued liabilities	\$ 5,820	\$ -
Loan payable	900	283
Tax payable	48	-
	\$ 6,768	\$ 283

December 31, 2018 (Denominated in '000 USD)	Current – within 1 year	Non- current – 1 to 3 years
Accounts payable and accrued liabilities	\$ 5,518	\$ -
Loan payable	900	733
Tax payable	250	-
	\$ 6,668	\$ 733

Related party transactions

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. Key management personnel include officers, directors or companies with common directors of the Company. The remuneration of the Company's directors and other key management personnel during the period ended June 30, are as follows:

<i>Denominated in thousands ('000)</i>	2019	2018
Short-term employee benefits included in salary and consulting	\$ 213	\$ 145
Director's fees included in professional fees	57	58
Share-based compensation	4	49
Legal fees included in professional fees	-	-
Consulting fees included in salary and consulting	54	54
	\$ 328	\$ 306

Short-term employee benefits include salaries incurred within the period to the statement of financial position date and other annual employee benefits. They are included in cost of sales, administrative expenses and exploration and evaluation properties.

At June 30, 2019, other receivables and prepaid expenses include \$Nil (December 31, 2018 - \$21,000) owing from an officer of the Company.

At June 30, 2019, accounts payable and accrued liabilities includes \$205,000 (December 31, 2018 - \$173,000) owing to a director and/or officer and/or companies controlled by the directors.

During the period ended June 30, 2019 the Company paid consulting fees totalling \$54,000 (2018 - \$54,000) to companies controlled by directors and/or officers of the Company.

Amounts owing to or from related parties are non-interest bearing, unsecured and due on demand.

Capital management

The capital of the Company consists of items included in shareholder's equity. The Company's objectives for capital management are to safeguard its ability to support the Company's normal operating requirement on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

The Company manages its capital structure and makes adjustments in light of changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the entity's capital requirements, the Company has in place a planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. As at June 30, 2019, the Company expects its capital resources will require additional financial support for its normal operating requirements, planned development and exploration of its mineral properties for the next twelve months. There are no externally imposed capital requirements to which the Company has not complied.

Critical accounting estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its consolidated financial statements. In addition, the preparation of the financial data requires that the Company's management make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Significant judgments in applying accounting policies

The critical judgments 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:

- a) **Impairment of assets**
The carrying value of property, plant and equipment, exploration and evaluation properties and the Company's mineral property 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, 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 assets could impact the impairment analysis.
- b) **Economic recoverability and probability of future economic benefits of exploration and evaluation assets.**
Management has determined that exploratory drilling and evaluation, 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.
- c) **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 judgments 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 preparation of the Company's unaudited interim consolidated financial statements in conformity with IFRS requires management to make certain 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. Differences may be material.

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

a) Mineral Reserves Estimation

The carrying value and recoverability of mineral properties requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project. The determination of mineral resources also requires the use of estimates. The Company estimates its mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101, Standards for Disclosure of Mineral Projects. There are numerous uncertainties inherent in estimating mineral resources and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecasted prices of commodities, exchange rates, production costs or recovery rates may change the economic status of resources and may result in changes to resource estimates.

b) 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 estimated resources. 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 estimated recoverable resources.

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.

c) 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.

d) 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.

e) 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 profit or 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 is 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.

f) 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 by the Company.

g) 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

h) Impairment

Non-current assets are tested for impairment if there is an indicator of impairment, and in the case of goodwill, at least annually. The impairment analysis requires the use of estimates and assumptions, including amongst others, long-term commodity prices, discount rates, length of mine life, future production levels, future operating costs, future capital expenditures and tax estimates. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances the carrying value of the assets may be impaired or a prior period's impairment charge reversed with the impact recorded in the statements of income (loss) and comprehensive income (loss).

Current assets include receivables which are reviewed for collectability that may be affected by default, delays and other economic indicators.

i) Valuation of right-of-use asset and lease liabilities

The application of IFRS 16 requires the Company to make judgments that affect the valuation of the right-of-use assets and the valuation of lease liabilities. These include: determining agreements in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

The lease term determined by the Company is comprised of the non-cancellable period of lease agreements, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

The present value of the lease payment is determined using a discount rate representing the rate of its loan payable observed in the period when the lease agreement commences or is modified.

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 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.

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, 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.

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

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining internal controls over financial reporting (“ICFR”) to provide reasonable assurance in respect to the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

There have been no changes in the Company's internal control over financial reporting during the year ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Limitations of Controls and Procedures:

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

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.

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 between non IFRS adjusted cash costs to cost of good sold (IFRS):

Goldgroup Consolidated - cash cost calculation	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Total cost of goods sold ('000)	\$ 3,421	\$ 5,292	\$ 7,463	\$ 9,108
Add (subtract)				
Inventory adjustment ('000)	\$ 359	\$ (730)	\$ 89	\$ (856)
Total cash cost of production ('000)	\$ 3,780	\$ 4,562	\$ 7,552	\$ 8,252
Gold ounces – produced	4,000	4,516	7,269	7,781
Total cash cost of production per ounce	\$ 945	\$ 1,010	\$ 1,039	\$ 1,061
All-in sustaining cost of production per ounce	\$ 945	\$ 1,010	\$ 1,039	\$ 1,061
Add (subtract)				
Corporate administration ('000)*	\$ 846	\$ 862	\$ 1,278	\$ 1,522
Total all-in cost ('000)	\$ 4,626	\$ 5,424	\$ 8,830	\$ 9,775
Gold ounces – produced	4,000	4,516	7,269	7,781
All-in cost (per ounce)	\$ 1,157	\$ 1,201	\$ 1,215	\$ 1,256

*Corporate administration excludes non cash items such as corporate depreciation and stock-based compensation.

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.

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.