

GOLDGROUP MINING INC. (formerly Sierra Minerals Inc.)
Management’s Discussion and Analysis
For the three and six months ended June 30, 2010

This Management’s Discussion and Analysis (“MD&A”) relates to the financial condition and results of operations of Goldgroup Mining Inc. (formerly Sierra Minerals Inc.) (“Goldgroup”, “Sierra” or the “Company”) together with its subsidiaries as of August 16, 2010, and is intended to supplement and complement the Company’s interim consolidated financial statements for the period ended June 30, 2010. Readers are cautioned that the MD&A contains forward-looking statements and that actual events may vary from management’s expectations. Readers are encouraged to consult Sierra’s audited consolidated financial statements and corresponding notes to the financial statements for the year ended December 31, 2009 for additional details as well as the related MD&A included in the 2009 Annual Report and the 2009 Annual Information Form. Goldgroup’s public disclosures are available on SEDAR at www.sedar.com. The unaudited interim consolidated financial statements and MD&A are presented in United States (“US”) dollars and have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). This discussion addresses matters we consider important for an understanding of our financial condition and results of operations as of and for the three and six months ended June 30, 2010.

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

All amounts in US dollars (“US\$”) unless otherwise stated.

TABLE OF CONTENTS

Outlook.....	2
Description of the Business.....	2
Highlights.....	3
Developments during and subsequent to the quarter ended June 30, 2010.....	3
Overview of Financial Results.....	6
Results of Mining Operations.....	8
Operations Outlook.....	10
Gold Market.....	10
Non-GAAP Financial Measures.....	11
Liquidity and Capital Resources.....	13
Outstanding Capital and Share Data.....	16
Selected Quarterly Information.....	17
Transactions with Related Parties.....	18
Critical Accounting Policies and Estimates.....	19
Financial Instruments and Other Instruments.....	21
Risks and Uncertainties.....	21
Status of Goldgroup’s Transition to International Financial Reporting Standards “IFRS”).....	27
Disclosure Controls and Procedures and Internal Controls Over Financial Reporting.....	31
Cautionary Statement on Forward-Looking Information.....	32

Outlook

Goldgroup has cash and cash equivalents of approximately \$20.0 million, is debt-free and unhedged, following the sale of the El Porvenir gold property on July 9, 2010. Management expects to fund all expenditures out of existing cash balances and operating cash flow from the Cerro Colorado gold mine.

At the Caballo Blanco gold project in Veracruz, Mexico, the Company expects to begin a 30,000 meter drill program on the 1st of October with two drill rigs; one reverse-circulation rig to expand and define the main La Paila zone, which currently has a National Instrument March 22, 2010 technical report 43-101 (“NI 43-101”) resource of 656,000 ounces of gold, and one diamond drill to check the numerous geochemical and resistivity occurrences in the 15 kilometre by four kilometre anomalous gold zone. Although initial mining at the Caballo Blanco is expected to be by open pit with the use of large equipment for low operating cost, the Company also expects to begin tunnelling into the existing totally oxidized NI 43-101 mineral resource, taking bulk samples for metallurgical test work and also to check for high grade feeder zones normally associated with this type of prolific high sulphidation mineralization. Over the past three months the Company has expanded its concessions areas and will be shortly conducting a large ground resistivity program.

At San Jose de Gracia the Company expects to announce the assay results from the remaining 41 drill holes of the 62-hole, 15,600 meter drill program at the San José de Gracia project shortly. Assay results from this latest drill program will form the basis for an undated NI 43-101 mineral resource estimate, expected to be completed later in 2010. In mid September, two diamond drill rigs will recommence drilling on an estimated 20,000 meter program. This will form the bulk of the expenditures required in order for the Company to increase its equity interest in this project to 50%.

At the Cerro Colorado gold mine the Company expects to produce approximately 25,000 ounces of gold in 2010. Production during the first six months is in line with this forecast. Since the RTO in the last two months Goldgroup has commenced an overall review of the mine operating costs and is implementing a cost reduction program. Exploration drilling is in progress in areas immediately adjacent and also near distant targets to the Cerro Colorado mine site to enhance the mineralization available for production at this facility.

Description of the Business

Goldgroup is engaged in gold mining and related activities, including acquisition, exploration and development of gold-bearing mineral properties in the Americas. Goldgroup’s current gold production and exploration and development related activities are carried out exclusively in Mexico. Gold is produced in doré in Mexico and then shipped to a refiner in the United States for final processing prior to sale. As a result of the completion of a business combination with Goldgroup Holdings Corp. (“Goldgroup Holdings” and formerly Goldgroup Resources Inc.) on May 7, 2010, the Company has significantly expanded its portfolio of mineral resources properties. For further information on the business combination, see “Developments during and subsequent to the period ended June 30, 2010”. For more detailed information on the Company’s mineral resource properties, please see the joint management information circular of the Company and Goldgroup Holdings dated March 25, 2010, available on SEDAR at www.sedar.com.

The business combination has been treated as a reverse take-over (“RTO”) of Sierra by Goldgroup Holdings effective April 30, 2010. The effect is that the continuing company’s consolidated financial statements and comparative financial statement information is that of Goldgroup Holdings. The purchase price allocation has been done on a preliminary basis and is a result of management’s best

estimates after taking into account all relevant information available at the time these consolidated financial statements were prepared. Management is performing further analysis with respect to these assets and liabilities, including a valuation prior to finalizing the purchase price allocation. The Company will finalize the purchase price allocation in 2010 and its finalization may result in adjustments to the preliminary estimate of purchase date fair values and the identification of other intangibles and these differences may be material. The consolidated statements of earnings (loss) and cash flows for the periods ended June 30, 2010, take into account only the effects of metal sales and the results of mine operations from May 1, 2010 onwards.

The profitability and operating cash flow of the Company is affected by various factors, including the amount of gold produced and sold, the market price of gold, operating costs, interest rates, regulatory and environmental compliance, general and administrative costs, the level of exploration and development expenditures and other discretionary costs. Goldgroup is also exposed to fluctuations in foreign currency exchange rates that can materially impact profitability and cash flow. The majority of the Company's assets are located in Mexico and are subject to foreign investment risk, including increases in taxes and royalties, renegotiation of contracts, property title risk and political uncertainty. While Goldgroup seeks to manage the level of risk associated with its business, many of the factors affecting these risks are beyond the Company's control.

Highlights (2 months of operating results)

Consolidated Financial and Operating Highlights	Three months ended June 30,		Six months ended June 30,	
	2010	2009 ^(a)	2010	2009 ^(a)
Gold ounces – produced ^(a)	4,294	-	4,294	-
Gold ounces – sold ^(a)	4,384	-	4,384	-
Metal sales	\$5,372,239	\$-	\$5,372,239	\$-
Cost of sales ^(b)	\$4,456,686	\$-	\$4,456,686	\$-
Accretion, depreciation, depletion and amortization	\$1,270,554	\$11,620	\$1,270,554	\$22,447
Mine operating earnings (loss)	\$(355,001)	\$-	\$(355,001)	\$-
Net earnings (loss)	\$(2,868,134)	\$(461,440)	\$(3,659,561)	\$(1,101,637)
Basic and diluted earnings (loss) per share	\$(0.04)	\$(0.01)	\$0.06	\$(0.03)
Cash flow provided (consumed) by operating activities, before changes in non-cash operating working capital	\$(370,365)	\$(380,358)	\$(1,308,360)	\$(909,710)
Average realized gold price per ounce sold ^(a)	\$1,198	\$-	\$1,152	\$-
Cost of sales per ounce sold ^(c)	\$893	\$-	\$893	\$-

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

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

(c) Cost of sales per ounce sold includes a reduction for the non-cash fair value adjustment to inventory from the RTO for \$490,857 or \$111 per ounce and the silver by-product credit of \$49,118 or \$11 per ounce. See "Non-GAAP Financial Measures".

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

Business Combination with Goldgroup Holdings

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

On April 30, 2010, the Company changed its name from Sierra Minerals Inc. to Goldgroup Mining Inc. and consolidated its shares on a basis of one (new) for 2.85 (old). In addition, on May 7, 2010 the Company completed the business combination with Goldgroup Holdings, which was amalgamated with a wholly-owned subsidiary of Sierra pursuant to a statutory plan of arrangement under the Business Corporations Act (British Columbia) and resulted in the issuance of 51,942,637 common shares of the Company to the shareholders of Goldgroup Holdings. The number of shares recorded as issued in connection with the reverse take-over in the consolidated financial statements was calculated based on the number of Holdings' common shares that would have been issued in order to provide the same percentage of ownership to the shareholders of Goldgroup Mining (33,009,779 shares). Following completion of the transaction, the Company had 84,952,432 shares outstanding, 61.1% of which were owned by former Goldgroup Holdings shareholders and 38.9% by former Sierra shareholders on an undiluted basis. As noted above, the transaction has been accounted for as a RTO of Sierra by Goldgroup Holdings.

On May 7, 2010, the Company began trading on the Toronto Stock Exchange under its new symbol "GGA".

Corporate Developments

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

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

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

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

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

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

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

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

On May 18, 2010, options to purchase up to 3,219,486 common shares of the Company at an exercise price of C\$1.00 until May 18, 2014, were granted to certain directors, officers, employees and consultants of the Company.

Agreement Payable and Loan Payable

As at March 31, 2010, Goldgroup Holdings owed C\$3.0 million to NGEx Resources Inc. (“NGEx”) as the balance of the amount owing in connection with its acquisition of a 70% interest in the Caballo Blanco gold property in Veracruz, Mexico. Goldgroup Holdings agreed to pay this amount in monthly instalments of C\$500,000 plus 1.0% monthly interest beginning May 31, 2010. On June 7, 2010, the Company obtained a bridge loan of \$3.25 million from Auramet Trading, LLC (“Auramet”) in advance of the final closing of the sale of the Company’s El Porvenir property (see news release July 12, 2010). On June 14, 2010, the Company used the majority of the proceeds of the Auramet bridge loan to pay all amounts owing to NGEx. A financing fee of \$97,500 was paid to Auramet in connection with the bridge loan. In addition, Auramet was granted 100,000 warrants having an exercise price of C\$1.00, expiring June 6, 2011. In the event the warrants are not exercised, a payment of \$25,000 is contingently due to Auramet. On July 15, 2010 the \$3,378,851 loan payable was repaid in full.

Sale of the El Porvenir Gold Project

On July 9, 2010, the Company sold its 100% interest in the assets comprising the El Porvenir gold project in Aguascalientes, Mexico to the Frisco Group for \$25.0 million. The Company simultaneously paid \$1.7 million to discharge a royalty interest on the property held by a third party to ultimately net \$23.3 million in sale proceeds on the transaction. On July 15, 2010, the Company used part of the sale proceeds to repay in full, the \$3.25 million bridge loan from Auramet. The remainder of the proceeds will be used to fund exploration and development at the Company’s flagship Caballo Blanco gold property and complete the 50% earn-in on the high-grade San José de Gracia gold project in Sinaloa, Mexico.

Cerro Colorado Gold Mine - Production Expansion and Operations Developments

The Company forecasts 2010 annual production at the Cerro Colorado gold mine at approximately 25,000 ounces of gold following substantial completion of initiatives taken during 2009 to increase production levels, including equipment purchases, new leach pad construction and gold processing plant expansion. A summary of key mining statistics for the three months ended June 30, 2010 is as follows:

- Production of 5,407 ounces of gold for Q2 2010 compared to 5,447 during Q2 2009.
- Average grade mined in Q2 2010 was 0.54 g/t Au compared to 0.64 g/t Au in Q2 2009.
- Tonnes mined increased 14% to 1.453 million in Q2 2010 compared to 1.269 million in Q2 2009.
- On a non-RTO basis the cash cost per ounce of gold sold for the six months ended June 30, 2010 was \$814 compared to \$604 in the same period for 2009. The high cash cost per ounce was a result of increased waste stripping required in the first nine months of this year to gain access to a new higher grade zone. Also, the new crushing system was installed subsequent to period end which is expected to enhance recovery going forward. (see “Non-GAAP Financial Measures” and “Results of Mining Operations” for further discussion).
- During the quarter ended June 30, 2010, the mine completed the purchase of a secondary crushing system for \$1.4 million to replace a rental secondary crusher.

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

Exploration Drill Program at San José de Gracia

During the second quarter ended June 30, 2010, the Company completed a 15,600 meter Phase II drill program at the San José de Gracia property comprising 62 drill holes. On July 14, 2010, the Company announced the assay results of drilling from the first 21 of these holes, the highlights of which are as follows:

- Hole SJG-10-151 encountered 22.19 g/t Au over 7.8 meters from the 208.4 to 216.2 meter mark.
- Hole SJG-10-154 encountered 21.89 g/t Au over 1.8 meters from the 73.00 to 74.8 meter mark.

In June 2010, the State Government of Sinaloa, through Mexico's Ministry of Economic Development, recognized the San José de Gracia project as Sinaloa's "Most Significant Gold Project" for 2009.

Overview of Financial Results

Three and six months ended June 30, 2010 versus June 30, 2009

Financial Highlights

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

	Three months ended June 30,		Six months ended June 30,	
	2010 ^(b)	2009 ^(b)	2010 ^(b)	2009 ^(b)
Metal sales	\$5,372,239	\$ -	\$5,372,239	\$ -
Cost of sales ^(a)	4,456,686	-	4,456,686	-
Depreciation, depletion and amortization	1,259,371	-	1,259,371	-
Accretion	11,183	-	11,183	-
Mine operating earnings	(355,001)	-	(355,001)	-
General and administrative	935,017	406,756	1,436,642	792,605
Transaction costs	55,735	-	394,837	-
Exploration	12,498	-	12,498	-
Amortization	11,620	9,733	22,447	18,839
Stock-based compensation	468,524	-	487,518	-
Interest income and other	(14,724)	(10,701)	(30,176)	(29,253)
Foreign exchange loss (gain)	(342,399)	15,032	(229,679)	180,852
Equity in loss of DynaMexico	50,922	2,017	59,610	60,631
Interest expense	104,358	-	104,358	-
Loss on sale of investment	395,376	-	130,119	-
Financing fees	118,780	-	118,780	-
Income tax expense	717,426	38,603	797,606	77,963
Net loss	\$(2,868,134)	\$(461,440)	\$(3,659,561)	\$(1,101,637)
Loss per share – basic and diluted	\$(0.04)	\$(0.01)	\$(0.06)	\$(0.02)

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

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

Second quarter 2010 vs. second quarter 2009

- During the second quarter of 2010, the Cerro Colorado gold mine produced 5,407 ounces of gold compared to 5,447 during the comparative period of 2009.

- Gold sales during the second quarter of 2010 were 5,543 ounces at an average gold price of \$1,198 per ounce compared to 5,063 ounces at an average gold price of \$924 per ounce during the second quarter of 2009. As a result of the RTO, metal sales revenue during the quarter ended June 30, 2010 was \$5,372,239 compared to \$nil during the second quarter of 2009.
- The mine experienced an operating loss of \$355,001 for the quarter ended June 30, 2010 (May and June 2010) compared to \$nil during the same period of 2009, as a result of the RTO.
- Overall, the Company recorded a net loss of \$2,868,134 or \$0.04 loss per share for the quarter ended June 30, 2010 compared to \$461,440 or \$0.01 loss per share for the second quarter ended June 30, 2009.
- Cost of sales of \$4,456,686 represented cash operating costs at the Cerro Colorado gold mine for the months of May and June 2010 or \$893 per ounce of gold sold including silver by-product credits of \$11 per ounce, compared to \$nil or \$nil per ounce of gold sold for the same period in 2009 as a result of the RTO.
- Depreciation, depletion and amortization of \$1,259,371 during the three months ended June 30, 2010 resulted primarily from fair values allocated to the Cerro Colorado mine, on a preliminary basis, as result of the RTO, property, plant and equipment associated with the Cerro Colorado gold mine and amortization of the mining property and acquisition costs compared with \$Nil during the second quarter of 2009. The majority of the depreciation expense is calculated on a unit-of-production basis.
- General and administrative costs were \$935,017 for the quarter ended June 30, 2010 compared to \$406,756 during the second quarter ended June 30, 2009. The increase is principally due to an increase in the activity and fees associated with the Company be publicly listed.
- Stock-based compensation for the three months ended June 30, 2010 was \$468,524 compared to \$Nil in the second quarter of 2009. This resulted entirely from recognition of part of the fair value of options granted during 2009 and 2010.
- The Company incurred a foreign exchange gain of \$342,399 during the quarter ended June 30, 2010 compared to a loss of \$15,032 during the same period in 2009. The Q2 2010 gain is mainly the result of the revaluation of the Mexican tax liability.
- Interest expense was \$104,358 during the quarter ended June, 30 2010 compared to \$Nil during the quarter ended June 30, 2009. The interest costs in the 2010 period were the result of agreement payable to NGEEx and the loan payable to Auramet.
- The Company incurred a loss on the sale of investment of \$395,376 in the quarter ended June 30, 2010 compared to \$nil in the quarter ended June 30, 2009. The loss in the 2010 period is a result of selling 5,697,957 Sierra shares.
- Financing fees for the three months ended June 30, 2010 was \$118,780 compared to \$Nil in the second quarter ended 2009. This is a result of the Company paying fees to Auramet for the loan payable which included cash of \$97,500 and the value attributed to the issuance of 100,000 warrants.
- Income tax expense was \$717,426 during the second quarter ended June 30, 2010 compared to an income expense of \$38,603 during the second quarter ended June 30, 2009.

First six months 2010 vs. first six months 2009

- During the first half of 2010, the Cerro Colorado gold mine produced 11,789 ounces of gold compared to 10,046 during the comparative period of 2009, an increase of 17%.
- Gold sales during the first half of 2010 were 11,918 ounces at an average gold price of \$1,152 per ounce compared to 9,974 ounces at an average gold price of \$917 per ounce during the first half of 2009.

- Metal sales revenue during the six months ended June 30, 2010 was \$5,372,239 compared to \$nil during the first half of 2009, due to the RTO.
- The mine experienced an operating loss of \$355,001 for the six months ended June 30, 2010 (May and June 2010) compared to \$nil during the same period of 2009, as a result of the RTO.
- Overall, the Company recorded a net loss of \$3,659,561 or \$(0.06) per share for the first six months ended June 30, 2010 compared to \$1,101,637 or \$(0.02) per share for the first six months ended June 30, 2009.
- Cost of sales of \$4,456,686 represented cash operating costs at the Cerro Colorado gold mine for May and June 2010 or \$904 per ounce of gold sold including silver by-product credits of \$11 per ounce, compared to \$nil or \$nil per ounce of gold sold for the same period in 2009, due to the RTO.
- Depreciation, depletion and amortization of \$1,259,371 during the six months ended June 30, 2010 resulted primarily from fair values allocated to the Cerro Colorado mine, on a preliminary basis, as result of the RTO, property, plant and equipment associated with the Cerro Colorado gold mine and amortization of the mining property and acquisition costs compared with \$Nil during the first half of 2009. The majority of the depreciation expense is calculated on a unit-of-production basis.
- General and administrative costs were \$1,436,642 for the six months ended June 30, 2010 compared to \$792,605 during the first six months ended June 30, 2009. The increase is principally due to the increase in size of the Company and the costs associated with that.
- Stock-based compensation for the six months ended June 30, 2010 was \$487,518 compared to \$nil in the first half of 2009. This resulted entirely from recognition of part of the fair value of options granted during 2009 and 2010.
- The Company incurred a foreign exchange gain of \$229,679 during the six months ended June 30, 2010 compared to a loss of \$180,852 during the same period in 2009. The 2010 gain is mainly the result of the revaluation of the Mexican tax liability.
- Interest expense was \$104,358 during the six months ended June 30, 2010 compared to \$nil during the six months ended June 30, 2009. The interest costs in the 2010 period were the result of agreement payable to NGEx and the loan payable to Auramet.
- The Company incurred a loss on the sale of investment of \$130,119 in the six months ended June 30, 2010 compared to \$nil in the same period for 2009. The loss in the 2010 period is a result of selling Sierra shares.
- Income tax expense was \$797,606 during the first six months ended June 30, 2010 compared to income tax expense of \$77,963 during the first six months ended June 30, 2009.

Results of Mining Operations

Three and six months ended June 30, 2010 versus June 30, 2009

Cerro Colorado Gold Mine (100% ownership)

Operating Statistics ^(a)	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Tonnes mined	1,453,238	1,268,586	2,739,022	2,292,950
Waste	1,139,216	673,956	1,958,149	1,304,887
Ore	314,022	594,630	780,873	988,063
Grade (g/t Au)	0.54	0.64	0.60	0.69
Gold ounces mined	5,455	11,730	15,129	21,175
Gold ounces – produced	5,407	5,447	11,789	10,046
Gold ounces – sold	5,543	5,063	11,918	9,974
Operating Financial Data ^(a)				
Net segment loss	\$(355,001)	\$nil	\$(355,001)	\$nil
Capital expenditures	\$270,620	\$nil	\$270,714	\$nil

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

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

- The Company mined 1,453,238 tonnes during the three months ended June 30, 2010 of which 314,022 tonnes of ore having an average grade of 0.54 grams per tonne gold (“g/t Au”) were mined compared to 1,268,586 tonnes mined during the three months ended June 30, 2009 of which 594,630 tonnes of ore, having an average grade of 0.64 g/t Au were mined. Overall, tonnes mined for the period increased 15% over the prior year period, primarily due to increased haulage capacity attributable to a slightly larger mining fleet compared to the same period last year.
- Production for the quarter ended June 30, 2010 was 5,407 ounces compared to 5,447 during the quarter ended June 30, 2009. Despite the drop in average grade mined, production remained strong as a result of a 19% year-over-year increase in ore tonnes mined in Q1 2010 versus Q1 2009.
- Gold sales for the quarter ended June 30, 2010 were 5,543 ounces at an average realized price of \$1,198 per ounce compared to 5,063 ounces sold at an average realized price of \$924 for the quarter ended June 30, 2009.
- On an RTO basis, the mine recorded metal sales of \$5,372,239 during the quarter (May and June 2010) compared to \$nil during the prior year quarter. On a non-RTO basis, the mine recorded metal sales of \$6,762,598 during the quarter compared to \$4,719,280 during the prior year quarter.
- Operating costs for the quarter ended June 30, 2010 were \$4,456,686 or \$904 per ounce of gold sold including silver by-product credits of \$11 per ounce, compared to \$2,841,498 or \$643 per ounce of gold sold for quarter ended June 30, 2009, before silver by-product credits of \$8 per ounce. This represents an increase of \$258 per ounce over the second quarter of 2009. The cost per ounce was higher during the quarter due to increased diesel consumption and maintenance on equipment for the larger fleet of equipment and also higher processing costs, which is mainly increased cyanide consumption as the mine continued leaching the old leach pad in addition to the new leach pad.

- Capital expenditures during the quarter ended June 30, 2010 were \$270,620 compared to \$14,214 during the same period in 2009 on an RTO basis. During the second quarter of 2010, the majority of capital expenditures related to adding new crusher circuits to the new crusher.

Six months ended June 30, 2010 versus June 30, 2009

- The Company mined 2,739,022 tonnes during the six months ended June 30, 2010 of which 780,873 tonnes of ore having an average grade of 0.60 g/t Au were mined compared to 2,292,950 tonnes mined during the six months ended June 30, 2009 of which 988,063 tonnes of ore, having an average grade of 0.69 g/t Au were placed on the leach pad. Overall, tonnes mined for the period increased 19% over the prior year period, primarily due to the use of an additional haul trucks during the full 2010 period compared to the same period last year.
- Production for the six months ended June 30, 2010 was 11,789 ounces compared to 10,046 ounces during the six months ended June 30, 2009 resulting in a 17% increase over the prior year period. The increase was primarily the result of better recoveries through secondary crushing and increased plant capacity. Commissioning of an additional 12 carbon columns, bringing the total to 30, was only completed in June 2009, whereas 2010 has benefitted from having the additional capacity for the entire period.
- Gold sales for the six months ended June 30 2010 were 11,918 ounces at an average realized price of \$1,152 per ounce compared to 9,974 ounces sold at an average realized price of \$917 for the six months ended June 30, 2009. On an RTO basis, the mine recorded metal sales of \$5,372,239 during the six months (May and June 2010) compared to \$nil during the prior year first half. On a non-RTO basis, the mine recorded metal sales of \$13,931,256 during the first six months of 2010 compared to \$9,215,981 during the first half of the prior year.
- Operating costs for the six months ended June 30, 2010 were \$4,456,686 or \$904 per ounce of gold sold before silver by-product credits of \$11 per ounce, compared to \$2,841,498 or \$611 per ounce of gold sold before silver by-product credits of \$7 per ounce for the six months ended June 30, 2009. This represents an increase of \$289 per ounce over the first quarter of 2009. The cost per ounce was higher during the quarter due to increased diesel consumption and maintenance on equipment for the larger fleet of equipment and also higher processing costs, which is mainly increased cyanide consumption as the mine continued leaching the old leach pad in addition to the new leach pad.
- Capital expenditures during the six months ended June 30, 2010 were \$270,714 compared to \$37,651 during the same period in 2009. During the 2010 period, the majority of capital expenditures related to adding new crusher circuits to the new crusher.

Operations Outlook

In 2010, the Company expects to produce approximately 25,000 ounces of gold from the Cerro Colorado mine. The purchase of a 6,000 tonne per day secondary crusher, replacing the 3,000 tonne per day rental crusher should not only reduce operating costs but should also improve gold recoveries from ore placed on the leach pad as this crusher provides the mine with greater operational flexibility. The mine will now have the ability to secondary crush all ore placed on the leach pad. The new crushing system was installed during May 2010 and commissioning has been completed in July. Since the RTO Goldgroup, has commenced an overall review of the mine operating costs with the intention of bringing the operating costs more in line with industry norms. The Company also expects to carry out exploration work during the year, aimed at expanding the estimated mineral resource at Cerro Colorado.

Gold Market

The price of gold is the largest single factor in determining profitability and cash flow from operations, therefore, the financial performance of the Company is expected to be closely linked to the price of gold. The average market price of gold during the three and six month periods ended June 30, 2010 was \$1,197 and \$1,152 respectively, per ounce. London P.M. fixings of the gold price during the six month period ranged from a low of \$1,058 per ounce on February 5, 2010 to a high of \$1,261 per ounce on June 28, 2010. These prices compare with averages of \$922 and \$915 per ounce respectively during the three and six month periods ended June 30, 2009. Prices for the six months ended June 30, 2009 ranged from a low of \$810 per ounce to a high of \$982 per ounce. The Company realized an average price of \$1,198 per ounce on its sales of gold during the second quarter of 2010 compared to an average realized price of \$924 for the same period in 2009 and compared to the average London P.M. fix for the second quarter of 2010 of \$1,197 per ounce. The Company realized an average price of \$1,152 per ounce on its sales of gold during the first half of 2010 compared to an average realized price of \$917 for the same period in 2009 and compared to the London P.M. Fix for the second half of 2010 of \$1,152 per ounce.

Gold prices continue to be supported by positive market fundamentals. Steady investment demand and strong physical demand for small bars and coins have more than offset a reduced jewellery demand due to high price of gold. Additionally, gold's appeal as a hedge against inflation and the United States dollar has continued to underpin historically high prices. Due to these factors, the Company expects gold prices to remain well supported in the near term in the midst of a high degree of market volatility.

Non-GAAP Financial Measures

Cash Costs

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

These gold cash costs differ from measures determined in accordance with Canadian GAAP. They are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP. These measures are not necessarily indicative of net earnings or cash flow from operations as determined under Canadian GAAP. The following table provides a reconciliation of total cash costs per ounce sold for the Cerro Colorado gold mine to the cost of sales, excluding accretion, depreciation, depletion and amortization as per the consolidated statement of operations.

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

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

	Three months ended June 30,		Six months ended June 30,	
(unaudited)	2010	2009	2010	2009
Cost of sales (excluding accretion, depreciation, depletion and amortization)	\$ 4,456,686	\$ -	\$ 4,456,686	\$ -
Non-cash fair value adjustment from RTO ^(a)	(490,857)	-	(490,857)	-
Silver by-product credit	(49,118)	-	(49,118)	-
	\$ 3,916,711	\$ -	\$ 3,916,711	\$ -
Gold ounces sold	4,384	-	4,384	-
Total cash costs (\$/oz. sold)	\$893	\$ -	\$893	\$ -
Breakdown of cost per ounce sold				
Direct operating costs	\$874	\$ -	\$874	\$ -
2.5% NSR Royalty	30	-	30	-
Less: silver by-product credits	(11)	-	(11)	-
Total cash costs (\$/oz. sold)	\$893	\$ -	\$893	\$ -

(a) Included in the purchase price allocation on the reverse takeover of Sierra is an increase of \$490,857 to inventory to recognize its fair value. During the period the inventory was sold and so the fair value increase was charged to cost of sales. This is a non-cash operating cost and as a result it has been removed from cost of sales for the purpose of calculating cash cost per ounce.

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

	Three months ended June 30,		Six months ended June 30,	
(unaudited)	2010	2009	2010	2009
Cost of sales (excluding accretion, depreciation, depletion and amortization)	\$ 5,304,460	\$ 3,257,245	\$ 10,373,628	\$ 6,098,743
Non-cash fair value adjustment from RTO ^(a)	(490,857)	-	(490,857)	-
Silver by-product credit	(97,226)	(41,236)	(179,171)	(72,567)
	\$ 4,716,377	\$ 3,216,009	\$ 9,703,600	\$ 6,026,176
Gold ounces sold	5,543	5,063	11,918	9,974
Total cash costs (\$/oz. sold)	\$851	\$635	\$814	\$604
Breakdown of cost per ounce sold				
Direct operating costs	\$832	\$620	\$797	\$588
2.5% NSR Royalty	37	23	32	23
Less: silver by-product credits	(18)	(8)	(15)	(7)
Total cash costs (\$/oz. sold)	\$851	\$635	\$814	\$604

- (a) Included in the purchase price allocation on the reverse takeover of Sierra is an increase of \$490,857 to inventory to recognize its fair value. During the period the inventory was sold and so the fair value increase was charged to cost of sales. This is a non-cash operating cost and as a result it has been removed from cost of sales for the purpose of calculating cash cost per ounce.

Development Stage Properties

Caballo Blanco Gold Project

During the quarter ended June 30, 2010, Goldgroup completed the purchase of a 70% interest in the Caballo Blanco property by making the final CDN\$3.0 million payment to NGEx Resources Inc. During May 2010, Francisco Escandon, former Director in charge of Mexico's national mining bureau for six years, was hired as Project Manager. On June 30, 2010, Mr. Escandon was also elected to the Board of Goldgroup as a Director. In early June 2010, the Company conducted an analyst tour to the project. On the exploration front, target mapping, surface sampling and re-logging of the drill core from the previous 32-hole diamond drill program continued throughout the quarter. The Company has begun plans to complete a comprehensive Environmental Impact Study, including base line study, risk analysis and technical study for the Change of Use of Land permit. In addition, the Company plans to commence a 30,000 meter exploration drill program comprised of a reverse-circulation and diamond drill rig, in the latter part of the third quarter, aimed at upgrading much of the existing inferred mineral resource on the La Paila Area and testing extensions from La Paila. Further drilling will test a number of other high priority targets on the property. The Company also plans to tunnel into the side of the mineralized zone in order to complete further drilling and bulk sampling for metallurgical testing.

San José de Gracia Gold Project

During the quarter ended June 30, 2010, a 62-hole, 15,560 meter Phase II diamond drilling program was completed at San José de Gracia. Phase II drilling builds on the assay results from the 200 drill holes used in compiling the initial NI 43-101 mineral resource estimate presented in the San José de Gracia Technical Report dated March 22, 2010 comprising the San Pablo, La Union and Tres Amigos veins and the La Purisma Trend. Assay results from the first 21 holes (SJG-09-127 to SJG-09-147) of the Phase II drill program were presented in a news release dated June 11, 2010. The most significant results encountered 20.51 g/t Au over 5.5 meters in hole SJG-09-139 and 28.25 g/t Au over 1.1 meters in hole SJG-09-131 on the San Pablo vein. Assay results on the remaining 41 drill holes are expected to be released in the near future. None of the results from the Phase II drill program were used in the calculation of the existing NI 43-101 mineral resource estimate. By the end of the second quarter, all drill collars had been accurately surveyed and work on an updated resource model and mineral resource estimate had begun in July. The study for the new Environmental Permit was submitted to the government at the end of June. The new permit covers the maximum allowable three year period proposing an approximate 34,000 meters of drilling. The drill is currently being stored on site during the wet season with drilling expected to recommence with two diamond drills in late September 2010.

Liquidity and Capital Resources

Goldgroup's cash and cash equivalents decreased by \$1,931,630 during the three months ended June 30, 2010 as compared to a decrease of \$1,825,139 over same period in 2009. As at June 30, 2010, the ending cash balance was \$1,609,779 (December 31, 2009 - \$515,173).

Working Capital

As at June 30, 2010, the Company had a negative working capital of \$809,396 compared to \$2,013,070 as at December 31, 2009.

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Cash consumed by operating activities – gross	\$ (370,365)	\$ (380,358)	\$(1,308,360)	\$ (909,710)
Changes in non-cash operating working capital	565,167	(294,184)	801,795	(168,621)
Cash consumed by operating activities - net	(194,802)	\$ (674,542)	(506,565)	(1,078,331)
Cash used in investing activities	(2,125,645)	(1,635,751)	(2,297,407)	(2,775,346)
Cash provided by (used in) financing activities	(192,952)	-	3,840,678	-
Effect of exchange rate changes on cash	192,165	485,154	57,900	351,856
(Decrease) increase in cash and cash equivalents	(1,931,630)	(1,825,139)	1,094,606	(3,501,821)
Cash and cash equivalents, beginning of period	3,541,409	5,497,340	515,173	7,174,022
Cash and cash equivalents, end of period	\$ 1,609,779	\$ 3,672,201	\$ 1,609,779	\$ 3,672,201

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

Operating Activities

Cash flow consumed by operating activities before changes in non-cash working capital during the three months ended June 30, 2010 was \$370,365 compared to \$380,358 during the same period 2009. The main cause of negative operating cash flow in the second quarter is a result of the Cerro Colorado mine requiring increased waste stripping for the first nine months of this year to gain access to a new higher grade zone.

Investing Activities

During the three months ended June 30, 2010, the Company spent \$270,620 on plant and equipment, \$2,215,535 on mineral property costs and \$804,057 on its equity investment in DynaResource de Mexico SA de CV ("DynaMexico"). In addition the Company acquired net cash of \$516,052 on the acquisition of Sierra, the Company exercised 3,750,000 warrants of Sierra for \$1,094,700 and sold a total of 5,697,957 shares of Sierra that it held for proceeds of \$1,743,214. As noted in the "Results of Mining Operations" section, the majority of expenditures on plant and equipment relate to new crusher circuits for the new crusher at the Cerro Colorado mine. Mineral property expenditures were mainly incurred on the El Porvenir gold project where the Company made a property payment of \$1,480,000 and incurred expenditures on drilling and metallurgical testing and also on the Caballo Blanco gold property where the Company did geological and surface mapping and sampling and resource modelling.

Financing Activities

During the three months ended June 30, 2010, cash flow used in financing activities was \$192,952 compared to cash flow \$nil in the first quarter of 2009. During the quarter ended June 30, 2010, the Company made \$3,000,000 of principal repayment against the agreement payable to NGEx and obtained a bridge loan from Auramet for \$3,250,000. In addition, during the period April 16, 2010 to May 6, 2010 Holdings purchased 438,596 (1,250,000 pre-consolidated) Sierra shares on the open market

at a cost of \$441,149. The Sierra shares have been reclassified as treasury shares and recorded as a reduction of share capital at their cost.

Six months ended June 30, 2010 versus June 30, 2009

Operating Activities

Cash flow used by operating activities before changes in non-cash working capital during the six months ended June 30, 2010 was \$1,308,360 compared to \$909,710 during the same 2009 period 2009. The main cause of negative operating cash flow in the second quarter is a result of the Company having no revenues until the RTO on April 30, 2010. In addition, the Cerro Colorado mine required increased waste stripping in the first nine months of this year to gain access to a new higher grade zone which resulted in a mine operating loss for the two months ended June 30, 2010.

Investing Activities

During the six months ended June 30, 2010, the Company spent \$2,297,407 on property, plant and equipment, mineral property costs, equity investment on DynaMexico, the net cash acquired on the RTO and the purchase and sale of investments compared to \$2,775,346 in for the same 2009 period. As noted in the "Results of Mining Operations" section, the majority of expenditures on plant and equipment relate to new crusher circuits for the new crusher at the Cerro Colorado mine. Mineral property expenditures were mainly incurred on the El Porvenir gold project where the Company made a property payment of \$1,480,000 and incurred expenditures on drilling and metallurgical testing and also on the Caballo Blanco gold property where the Company did geological and surface mapping and sampling and resource modelling. At the corporate level, the Company had a net cash inflow of \$2,244,990 on the sale and purchases of Sierra shares.

Financing Activities

During the six months ended June 30, 2010, cash flow generated in financing activities was \$3,840,678 compared to cash flow provided by financing activities of \$nil in the same period in 2009. During the six months June 30, 2010, the Company received \$5,785,030 from a private placement, net of share issuance costs of \$93,170 and received \$13,777 on the exercise of options. In addition the Company made principal repayments of \$4,895,831 on the agreement payable to NGEx and obtained a loan from Auramet for \$3,378,851. In addition, during the period April 16, 2010 to May 6, 2010 Holdings purchased 438,596 (1,250,000 pre-consolidated) Sierra shares on the open market at a cost of \$441,149. The Sierra shares have been reclassified as treasury shares and recorded as a reduction of share capital at their cost.

Liquidity Outlook

Goldgroup had cash and cash equivalents of \$1,609,779 available at June 30, 2010, an increase of \$1,094,606 from the balance at December 31, 2009 of \$515,173, while negative working capital increased by \$1,203,674 to \$(809,396) at June 30, 2010 from \$(2,013,070) at December 31, 2009.

With the sale of the El Porvenir gold property for net proceeds of \$23,300,000 on July 12, 2010 the Company is well positioned to fund the remaining \$6,431,991 required to meet its 50% equity interest on the San Jose de Gracia gold property and also fund the exploration on the Caballo Blanco property for the next 12 months. The Company no longer has any debt as the loan payable to Auramet was repaid in full on July 15, 2010. The Company anticipates the Cerro Colorado mine to generate positive cash flows over the next 12 months.

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

Outstanding Capital and Share Data

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

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

Goldgroup's authorized capital stock consists of an unlimited number of common shares without par value. As at August 16, 2010, there were 85,145,413 common shares issued and outstanding.

As at August 16, 2010, the Company also had the following items issued and outstanding:

- 8,372,312 common share purchase options with a weighted average exercise price of C\$0.74 expiring at various dates to November 12, 2014.
- 2,056,129 common share purchase warrants with an exercise price of C\$0.86, with 201,746 expiring on February 27, 2011, 1,754,383 expiring on March 25, 2011 and 100,000 expiring on June 18, 2011.

Subsequent to period end the Company granted 470,000 stock options with an exercise price of \$0.65 to employees and a director of the Company. The Company also extended the expiration date of July 29, 2010 for 287,718 stock options held by former directors to December 15, 2010.

Selected Quarterly Financial Information

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

In \$ 000's	Q2 June 2010 (unaudited)	Q1 Mar 2010 (unaudited)	Annual Dec 2009 (audited)	Q4 Dec 2009 (unaudited)	Q3 Sept 2009 (unaudited)
Revenue	\$5,372	\$nil	\$nil	\$nil	\$nil
Loss from mining operations	\$(355)	\$nil	\$nil	\$nil	\$nil
Net earnings (loss)	\$(2,868)	\$(791)	\$(1,522)	\$103	\$(523)
Total Assets	\$85,660	\$39,859	\$35,147	\$35,147	\$17,784
Total Long-Term Financial Liabilities	\$513,756	\$nil	\$nil	\$nil	\$nil
Loss per share – basic and diluted	\$(0.04)	\$(0.01)	\$(0.04)	\$0.00	\$(0.01)

In \$ 000's	Q2 June 2009 (unaudited)	Q1 Mar 2009 (unaudited)	Annual Dec 2008 (audited)	Q4 Dec 2008 (unaudited)	Q3 Sept 2008 (unaudited)
Revenue	\$nil	\$nil	\$nil	\$nil	\$nil
Loss from mining operations	\$nil	\$nil	\$nil	\$nil	\$nil
Net income (loss)	\$(461)	\$(640)	\$(3,404)	\$(490)	\$(267)
Total Assets	\$16,970	\$16,204	\$17,191	\$17,191	\$20,251
Total Long-Term Financial Liabilities	\$nil	\$nil	\$nil	\$nil	\$nil
Earnings (loss) per share – basic and diluted	\$(0.01)	\$(0.02)	\$(0.09)	\$(0.01)	\$(0.01)

Transactions with Related Parties

During the periods ended June 30, 2010 and 2009 the Company incurred the following expenses with companies or individuals related by way of directors and/or officers in common:

	For the Six Months Ended June 30,	
	2010	2009
Management and consulting fees paid to directors, officers or their companies.	<u>\$ 373,547</u>	<u>\$ 186,129</u>
Services and material supplies charged from Minera Secotec SA de CV ("Secotec") (a private company controlled by director of the Company)	<u>\$ 4,204</u>	<u>\$ -</u>

At June 30, 2010, receivables includes \$1,032 (2009 - \$29,961) owing from Uracon and \$3,392 (2009 - Nil) owing from an officer of the Company. The amount owing from Uracon is for its unpaid share of rent, administration staff salary and general office expenses. The companies share common office premises and have entered into a cost sharing arrangement, effective February 1, 2007.

At June 30, 2010, accounts payable and accrued liabilities includes \$76,997 (2009 - \$31,599) owing to directors and or their companies.

At June 30, 2010 accounts payable and accrued liabilities includes \$3,924 owing to Minop S.A. de C.V. (2009 - \$12,778 included in receivables), a Mexican company significantly influenced by an officer and director of the Company. The Company utilizes the services of Minop for paying certain employees and consultants that work in Mexico. The fees paid to Minop on are on a cost recovery basis.

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

Investor Relations Activities

During the period the Company entered into a consulting contract with Michael Baybak & Company Inc. for investor relation services whereby the Company pays \$5,000 per month and issued 200,000 stock options. The Company also entered into a contract with San Diego Torrey Hills Capital Inc. for investor relation services whereby the Company pays \$5,000 per month and issued 200,000 stock options.

Off-Balance Sheet Arrangements

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

Going Concern

The unaudited interim consolidated financial statements of the Company have been prepared on the basis that the Company will continue as a going concern, which presumes that it will be able to realize its assets and discharge its liabilities in the normal course of business. The unaudited interim consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. If management is unsuccessful in securing capital, the Company's assets may not be realized or its liabilities discharged at their carrying amounts and these differences could be material.

Changes in future conditions could require material write-downs of the carrying amounts of resource and mining property costs. As well, the Company has negative working capital of \$809,396. In addition, the Company received gross proceeds subsequent to June 30, 2010 of \$25,000,000 pursuant to the sale of the El Porvenir gold project. The proceeds from the sale of El Porvenir will provide sufficient capital for the advancement of the Companies exploration properties for the following 12 months. During the coming months, management will continue to evaluate financing alternatives to secure ongoing capital to execute the Company's business plan. It is not possible to determine, with any certainty, the success or adequacy of these initiatives.

Proposed Transactions

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

Critical Accounting Policies and Estimates

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

The preparation of the Company's consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. There is a full discussion and description of the Company's critical accounting policies in Note 2 to its unaudited consolidated financial statements for the six months ended June 30, 2010.

Inventories

Finished goods inventory is valued at the lower of average production costs or net realizable value.

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

Mineral Properties, Plant and Equipment

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

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

increase the amount of future depreciation, depletion and amortization expense, both of which would reduce the Company's earnings and net assets.

In addition, GAAP requires the Company to consider at the end of each accounting period whether or not there has been an impairment of capitalized mineral property, plant and equipment. For producing properties, this assessment is based on whether factors are present that may indicate a need for a write down. If the Company determines there has been an impairment because its prior estimates of future cash flows have proven to be inaccurate, due to reductions in the price of gold, increases in the costs of production, reductions in the amount of reserves expected to be received or otherwise, or because the Company has determined that the deferred costs of non-producing properties may not be recovered based on current economics or permitting considerations, the Company would be required to write down the recorded value of its mineral property, plant and equipment, which would reduce the Company's earnings and net assets. Volatility in equity and commodity markets could have a significant impact on the valuation of our mineral properties.

Asset Retirement Obligations

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

Future Income Tax Liabilities

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

Revenue Recognition

Revenue from the sale of metals is recognized in the accounts when persuasive evidence of an arrangement exists, title and risk passes to buyer, collection is reasonably assured and the price is reasonably determinable. Revenue from the sale of metals in concentrate may be subject to adjustment upon final settlement of estimated metal prices, weights and assays. Adjustments to revenue for metal

prices are recorded monthly and other adjustments are recorded on final settlement. These types of adjustments can have a material impact on revenues.

Stock-based Compensation

CICA Handbook, Section 3870, *Stock-Based Compensation and Other Stock-Based Payments* establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. Compensation expense is determined using the Black-Scholes option pricing model based on estimated fair values of all stock-based awards at the date of grant and is expensed to operations over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Financial Instruments and Other Instruments

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

Readers are encouraged to read and consider the financial risk factors more particularly described in Note 15, "Risk Management" to the unaudited Consolidated Financial Statements for the six months ended June 30, 2010.

Risks and Uncertainties

Exploration, development and mining of metals involve numerous inherent risks. As such, the Company is subject to various financial, operational and political risks that could have a significant impact on its profitability and levels of operating cash flows. Such risk factors could materially affect the value of the Company's assets and future operating results of the Company and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

An investment in the securities of the Company should be considered speculative due, generally, to the nature of the business in which the Company is engaged, the limited extent of the Company's assets, the Company's state of development and the degree of its reliance upon the expertise of management. Specifically, in evaluating an investment in any of the Company's securities the following risk factors should be given special consideration:

Mining Industry Risks

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

Current estimates indicate that the estimated mine life is another four to five years. Consequently, the Company will need to evaluate and search for additional reserves in order to sustain and promote

growth of the business. Given that metal prices are inherently cyclical and cannot be predicted with certainty, the Company cannot be reasonably assured that it will continue to realize high gold prices in connection with its sales. With respect to infrastructure, the mine depends on a source of water that is several kilometres away from the mine site. There is potentially a risk that something could happen to impede the Company's ability to maintain its unhindered access to the water source. Other factors that can impact the commercial viability of a property include government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, exporting of minerals and environmental protection. The effect of these factors cannot be accurately predicted and the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Properties without Known Mineable Reserves

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

Production Risks

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

Uncertainty as to Calculations of Mineral Deposit Estimates

There is a significant degree of uncertainty attributable to the calculation of mineral deposit estimates and corresponding mineralization grades. Until the mineralized material is actually mined and processed, mineral deposit estimates, mineralization grades and recovery rates must be considered as estimates only. Consequently, there can be no assurance that any mineral deposit estimates or ore-grade information contained herein (including in the documents incorporated herein by reference) will prove accurate. In addition, the value of mineral deposits may vary depending on mineral prices and other factors. Any material change in ore grades, stripping ratios or other mining and processing factors may affect the economic viability of the Company's projects. Furthermore, mineral deposit estimate information should not be interpreted as any assurance of mine life or of the potential profitability of existing or future projects. Mine plans are currently based on the NI 43-101 compliant mineral resource estimate contained in the Technical Report filed on SEDAR on March 15, 2010 as calculated at January

31, 2009 by Michelle Stone, Ph.D., P. Geo. of Caracle Creek International Consulting Inc. Actual grade and recoveries could differ significantly from expected grade.

Regulations and Permits

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

Foreign Exchange Rates

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

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

Fluctuations in the Market Price of Mineral Commodities

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

Cash Costs of Production

The Company's cash operating costs to produce an ounce of gold are dependent on a number of factors including costs of supplies and services (such as fuel and power), treatment and refining charges, general inflationary pressures, ore grade metallurgy, labour costs and currency exchange rates. Given the number of variables relevant to this determination, there can be no assurance that the Company will be able to achieve low cash cost gold production. Failure to achieve production cost estimates could

have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Dependence Upon Key Management Personnel and Executives

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

Theft

The Company is required to store precious metals, including gold bars, in and around its operating mines prior to their transportation to a refinery. The value of precious metals makes them an attractive target for theft. Although the Company uses its best efforts to ensure that valuable assets are safely guarded and stored, there can be no assurance that such assets will not be the target of thefts in the future. Any theft of precious metals in the future could have a material adverse effect on Goldgroup's business, financial condition and operations. The Company is continually taking steps to improve its controls and procedures aimed at significantly increasing security measures.

Title to Properties

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

Environmental Risks and Hazards

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

governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

Governmental Regulation of the Mining Industry

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

Instability of Political and Economic Environments

The mining interests of the Company may be affected in varying degrees by political or economic stability. Associated risks include, but are not limited to: terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Any change in regulations or shifts in political attitudes are beyond the control of the Company and may materially adversely affect its business, financial condition and results of operations. Operations may also be affected in varying degrees by such factors as government regulations (or changes thereto) with respect to the restrictions on production, export controls, income taxes, expropriation of property, repatriation of profits, land use, environmental legislation, water use, land claims of local people and mine safety. The effect of these factors cannot be accurately predicted. In addition, Mexico is currently experiencing a high rate of violence and crime. There is the increased risk of incident due to the country in which the Company operates.

Uninsured Risks

Goldgroup does not carry insurance to protect against certain risks. Risks not insured against in each case include environmental pollution, earthquake damage, mine floodings, or other hazards against which mining exploration corporations cannot insure or against which the Company may elect not to insure because of high premium costs or other reasons. Due to the high cost of bullion insurance, the Company has decided not to purchase this line of insurance. Instead, the Company has implemented changes to its controls and procedures to help mitigate the risk of theft and its resultant loss. Failure to have insurance coverage for any one or more of such risks or hazards could have a material adverse effect on the Company's business, financial condition and results of operations.

Competition

The mining industry is intensely competitive in all of its phases and the Company will compete with many companies possessing greater financial and technical resources than itself. Competition in the base and precious metals mining industry is primarily for: mineral rich properties which can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate such properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a world-wide basis. Such competition may result in the Company being unable

to acquire desired properties (due to the auction process involved in property acquisition), to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Company's prospects for mineral exploration and success in the future.

Possible Conflicts of Interest of Directors and Officers

Certain of the directors and officers of the Company also serve as directors, officers and/ or advisors of and to other companies involved in natural resource exploration and development. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest with or which is governed by the procedures set forth in the Quebec Act and any other applicable law.

Requirement of Additional Financing

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

Potential Volatility of Market Price of Common Shares

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

Other MD&A Requirements

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

There can be no assurance that any funding required by the Company will become available to it, and if so, that it will be offered on reasonable terms, or that the Company will be able to secure such funding through third party financing or cost sharing arrangements. Furthermore there is no assurance that the Company will be able to secure new mineral properties or projects, or that they can be secured on competitive terms.

Additional Information

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

Subsequent Events

Sale of El Porvenir

On July 9, 2010 the Company sold its 100% owned interest in the El Porvenir gold property in Aguascalientes, Mexico for \$25,000,000 and paid \$1,700,000 to discharge a royalty interest on the property.

Loan payable

On July 15, 2010 the \$3,378,851 loan payable was repaid in full.

Stock option grant

On July 29, 2010 the Company granted 470,000 stock options with an exercise price of \$0.65 to employees and a director of the Company. The Company also extended the expiration date of July 29, 2010 for 287,718 stock options held by former directors to December 15, 2010.

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

In February 2008, the AcSB announced that 2011 is the transition date for publicly listed companies to use International Financial Reporting Standards ("IFRS"), which will replace existing Canadian GAAP. The effective date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. As a result, the Company has developed a plan to convert its consolidated financial statements to IFRS. The plan addresses the impact of IFRS on accounting policies and implementation decisions, infrastructure, business activities and control activities. A summary status of the key elements of the changeover plan is as follows:

Accounting policies and implementation decisions:

- ✓ Identification of differences in Canadian GAAP and IFRS accounting policies;
- ✓ Selection of the Company's ongoing IFRS policies;

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

Status:

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

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

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

Property, plant and equipment

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

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

Impairments

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

Canadian GAAP, impairments are measured at the amount by which carried value exceeds fair value less costs to sell.

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

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

Asset retirement obligations

Under Canadian GAAP the Company would only record an asset retirement obligation ("ARO") if there was a legal requirement to incur restoration costs. Under IFRS the threshold for recognizing a liability is a legal or constructive obligation. The difference in standards may require the Company to review business plans to determine if there are any actions planned by management that would create a constructive obligation to record an ARO upon adoption of IFRS. Under Canadian GAAP the discount rate is established as the Credit adjusted risk free rate ("CARF") and is set at the time the obligation is established. Under IFRS the discount rate reflects the risk specific to the provision and is updated if conditions change that would require a change in the rate. As well, under Canadian GAAP the costs built into the model reflect third party costs whereas IFRS allows for the assumption that work can be performed internally, likely reducing the liability.

Provisions

IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, requires a provision to be recognized when there is a present obligation as a result of a past transaction or event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the obligation. Probability is based on a "more likely than not" threshold. Under Canadian GAAP, the criterion for recognition in the financial statements is "likely", which is a higher threshold. It is possible that there may be some legal, bad debt or contingent provisions which would meet the recognition criteria under IFRS that were not previously recognized under Canadian GAAP.

Effect of changes in foreign exchange rates

The Company uses the US dollar as its functional under Canadian GAAP. Under Canadian GAAP, Section 1651, *Foreign Currency Translation* considers foreign currency translation from the perspective of three specific types of activities: foreign currency transactions of the reporting enterprise, integrated foreign operations (foreign operations which are financially or operationally interdependent with the reporting enterprise) and self-sustaining foreign operations that are financially or operationally independent of the reporting enterprise. IAS 21, *Effect of Changes in Foreign Exchange Rates* takes a "functional currency" approach whereby each entity, whether a stand-alone entity, an entity with foreign operations (such as a parent) or a foreign operation (such as a subsidiary) determines its functional currency (the currency of the primary economic environment in which the entity operates). The results

and financial position of any individual entity within the reporting entity are then translated in accordance with the standard. The Company has not yet assessed the impact of this difference.

Income Taxes

There are a number of differences in accounting for income taxes between Canadian GAAP and IFRS. The Due to the complexity of income taxes, the Company is in the process of identifying resources to assist in the transition to IFRS in this area.

First-time adoption of IFRS

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

Business combinations

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

Fair-value or revaluation as deemed cost

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

Cumulative translation adjustment

IAS 21, The Effects of Changes in Foreign Exchange Rates, requires a company to determine the translation differences in accordance with IFRS from the date on which a subsidiary was formed or acquired. IFRS allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition with reclassification of the previous amount made to retained earnings. The Company will elect to use to have its cumulative translation account to be deemed zero.

Asset retirement obligation

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

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

- b) to the extent that the liability is within the scope of IFRIC 1, estimates the amount that would have been included in the cost of the related asset when the liability first arose, by discounting the liability to that date using its best estimate of the historical risk-adjusted discount rate(s) that would have applied for that liability over the intervening period; and
- c) calculates the accumulated depreciation on that amount, as at the date of transition to IFRSs, on the basis of the current estimate of the useful life of the asset, using the depreciation policy adopted by the entity in accordance with IFRSs.

Disclosure Controls and Procedures

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

Management's Report on Internal Control Over Financial Reporting

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

Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, as at June 30, 2010, the Company's design of the internal control over financial reporting was not effective due to the existence of certain material weaknesses. The existence of these material weaknesses creates an elevated risk of erroneous financial reports being produced in the Company's Mexican subsidiaries and/or unauthorized disbursements being made in the same subsidiaries. The material weaknesses are summarized as follows:

- A material weakness existed in the design of internal control over financial reporting caused by the head office not comparing budgeted to actual results relating to subsidiary and head office expenditures. The Company has implemented a formal process whereby an annual budget will be prepared and budgeted results will be compared. Management expects this process to begin operating in Q3 of fiscal 2010.
- A second material weakness existed as a result of the Company not having formalized accounting and operating policies in place at its Hermosillo, Mexico office. Authority limits were not previously communicated to all individual individuals working the Mexican subsidiaries. Additionally, there were no dual signatory requirements for issuing cheques and wiring funds by the Mexican subsidiaries and journal entries prepared by the accounting clerk were not subject to review prior to posting. The Company is currently preparing the accounting and operating policies for the Mexican subsidiaries which will address the material weaknesses. The dual signatory requirement has been implemented. Management expects these policies to be implemented in Q3 of fiscal 2010.

Limitations of controls and procedures:

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

Approval

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

Additional Information*List of Directors and Officers:*

Keith Piggott, Chief Executive Officer and Director

Michael H. Farrant, President and Director

Gregg J. Sedun, Executive Chairman and Director

Corry Silbernagel, Director

Dr. Hans von Michaelis, Director

Robert Byford, Director

Francisco Escandon, Director

John Sutherland, Vice President, Chief Financial Officer and Corporate Secretary

Kevin Sullivan, Vice President, Exploration

Additional information relating to Goldgroup Mining Inc. (formerly Sierra Minerals Inc.) is on SEDAR at www.sedar.com

Qualified Person

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

Cautionary Statement on Forward-Looking Information

All statements, other than statements of historical fact, contained or incorporated by reference in this MD&A, including any information as to the future financial or operating performance of Goldgroup, constitute "forward-looking statements" within the meaning of certain securities laws, including the "safe harbour" provisions of the Securities Act (Ontario) and are based on expectations, estimates and projections as of the date of this MD&A. Forward-looking statements include, without limitation, statements with respect to the future price of gold, the estimation of mineral reserves and resources, the realization of mineral reserve and resource estimates, the timing and amount of estimated future production, costs of production, expected capital expenditures, costs and timing of development of new deposits, success of exploration activities, permitting time lines, currency fluctuations,

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