GOLDGROUP MINING INC.
Management's Discussion and Analysis
For the three months ended March 31, 2011

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1.1 Date

This Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Goldgroup Mining Inc. ("Goldgroup" or the "Company") together with its subsidiaries as of June 9th, 2011, and is intended to supplement and complement the Company's condensed interim consolidated financial statements for the three months ended March 31, 2011. Readers are cautioned that this MD&A contains forward-looking statements and that actual events may vary from management's expectations. Goldgroup's public disclosures are available on SEDAR at www.sedar.com. The condensed interim consolidated financial statements and MD&A are presented in United States ("US") dollars, except where noted, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This discussion addresses matters we consider important for an understanding of our financial condition and results of operations as of and for the three months ended March 31, 2011.

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

1.2.1 Caballo Blanco

The Company has completed its 70% Earn In interest in the Caballo Blanco project which consists of 17 mineral concessions covering 68,000 hectares, 65 kilometers northwest of Veracruz, Mexico. Exploration continued with three diamond drills, the number of which has since been increased to five, to better define and expand the current La Paila zone resource for mine planning together with, geological mapping and surface sampling in a number of areas mainly in the Northern Zone. The report of the IP geophysical survey for resistivity and chargeability, covering much of the Northern zone, which includes the La Paila and Bandera zones completed in Q4 of 2010 was received during the quarter. The assessment of the results suggests good correlation of the resistivity at La Paila with the current drilling. The Company continued a comprehensive Environmental Impact Study, including base line study, risk analysis and technical study for the Change of Use of Land permit. This study is expected to be submitted to the Mexican Government Environmental Agency (Semarnat) in Q3 of 2011.

An Environmental Impact Permit for the underground adits was granted by Semarnat in April 2011. In addition the Explosives Permit for these adits was approved by The Mexican Army (Sedena) in April 2011.

On May 18, 2011 the Company hired Rick Irvine, PEng, as the General Manager of the Caballo Blanco project. Francisco Escandon was promoted to Technical Director of Goldgroup (corporate).

Status of Project

At Caballo Blanco, Goldgroup is continuing its 30,000 meter multi-drill program, utilizing four mainly large diameter HQ diamond drills, designed to expand and upgrade the current NI 43-101-compliant mineral resource estimate at the La Paila anomaly, which is expected to be completed in the Fall of 2011, and also to test other highly prospective areas for mineralization, including other targets at the Northern Zone as well as targets at Highway zone. The current estimated indicated mineral resource of 139,000 ounces of gold (6.7 million tonnes grading 0.65 grams per tonne gold ("g/t Au")) and inferred resource of 517,000 ounces of gold (27.6 million tonnes grading 0.58 g/t Au) covers only the La Paila area in the Northern Zone. All resources are in totally oxidized material. It was compiled from 32

diamond drill holes totaling approximately 7,000 meters completed by Canadian Gold Hunter Corp. (“CGH”) and NGEx Resources Inc. (“NGEx”), prior to Goldgroup’s acquisition of its 70% interest in the project in November 2009.

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

- Ground geophysics – Data collection for the 63 line km IP (induced polarization) survey has been completed and interpretation of the results is ongoing.
- Geochemical analysis of surface chip samples has shown an extension of the La Paila mineralization to the north east and is progressing in other areas.
- Metallurgical column leach testing at the Company’s on site laboratory using ten six inch diameter by three metre high and four sixteen inch diameter by six metre high columns has indicated high and fast leaching recoveries, as expected. The Company has constructed four one metre diameter by six metre high columns to test and verify that, as indicated by the smaller column tests, open pit run of mine heap leaching is applicable. The underground adit will give sufficient run of mine sized material for these test columns.
- An environmental impact study, including the environmental baseline and impact statement, the socio-economical study and a risk analysis, is proceeding and is approximately 90% complete.
- The Company has expanded its review of targets over the 68,000 hectares and identified by satellite Aster imaging a number of anomalies which are being investigated.
- The Company has received its permits and will shortly begin tunneling into the side of the mineralized zone in order to complete further drilling and bulk sampling for metallurgical testing and also test the high grade structures

Latest Drill Results

The current 30,000 meter drill program, which continues, shows the following diamond drill results. These results indicate similar grade and give better definition to that shown in the 43-101 compliant resource based on prior drilling by NGEX. All mineralized intercepts to date are in totally oxidized material.

DIAMOND DRILL CORE

Drill Hole	Mineralization			
	From (m)	**To (m)**	**Interval (m)**	**Au grade (g/t)**
10 CBN 54	15.20	106.25	91.05	0.70
and	122.25	128.25	6.00	0.30
and	150.25	217.05	66.80	0.82
10 CBN 61	79.10	117.10	38.00	0.42
and	129.10	229.10	100.00	0.33
and	259.10	267.10	8.00	0.58
11 CBN 68	37.00	171.00	134.00	0.61
11 CBN 69	29.80	203.80	174.00	0.45
and	241.00	257.00	16.00	0.32
11 CBN 70	22.00	151.50	129.50	0.49

11 CBN 72	56.00	178.00	122.00	0.80
11 CBN 73	130.00	178.50	48.50	3.47
11 CBN 74				nsv
11 CBN 75	98.00	102.00	4.00	0.66
and	134.00	180.00	46.00	0.35
11 CBN 76	81.10	85.10	4.00	0.98
and	106.14	121.50	15.36	0.37
and	131.50	156.21	24.71	0.22
and	164.21	177.45	13.24	0.28
and	191.89	209.89	18.00	0.25
and	284.50	289.50	5.00	0.34
11 CBN 77	98.00	106.00	8.00	0.70
and	120.00	138.00	18.00	0.40
and	152.00	174.00	22.00	1.39
and	198.00	224.00	26.00	0.30
and	232.00	256.00	24.00	0.41
11 CBN 78				nsv
11 CBN 79	47.40	147.50	100.10	0.88
11 CBN 80	93.40	153.40	60.00	0.76
11 CBN 81				nsv
11 CBN 82	81.50	235.50	154.00	0.59
and	247.50	263.50	16.00	0.23
and	293.50	303.50	10.00	0.48
11 CBN 83	98.50	146.50	48.00	0.90
and	194.50	216.50	22.00	0.41
and	240.50	248.50	8.00	0.21
11 CBN 84	86.84	150.84	64.00	1.20
and	278.40	291.10	12.70	0.32
11 CBN 85	63.33	73.33	10.00	1.33
and	92.96	160.02	67.06	0.35
11 CBN 86	102.36	107.93	5.57	0.53
and	133.93	140.10	6.17	0.46

1.2.2 DynaMexico - San José de Gracia

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

San José de Gracia is located in the northeast portion of Sinaloa State, Mexico, approximately 120 kilometres northeast of the coastal city of Los Mochis, straddling the Chihuahua border. The property consists of 34 mineral concessions covering approximately 67,000 hectares with no outstanding royalty or other interest.

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

Mapping and sampling of vein structures in other areas of the concessions continued. Reforestation efforts are ongoing with a total of 4,000 trees planted during the quarter with seedlings in the company nursery.

Since the previous resource statement based on drilling completed to July of 2009 the Company has drilled an additional 135 holes, the results of which combined with the previous drilling will be used to complete a revised 43-101 resource estimate expected in the third quarter of 2011 which in turn will be used to support a preliminary economic assessment for mining. The Company is targeting a resource estimate sufficient to sustain 100,000 ounces of annual gold production.

The Company is also commencing environmental base line studies and surface land acquisitions which will be used together with the updated 43-101 compliant resource statement to form the basis for a Preliminary Economic Assessment.

Current Drill Results
During the quarter ended March 31, 2011, the Company announced the results of an additional 37 drill holes (SJG- 11 225 to 261) from the ongoing diamond drilling program which has been completed during Q2 of 2011. The highlights from this drilling include:

Drill Hole	**Mineralization**			
	From (m)	**To (m)**	**Interval (m)**	**Au grade (g/t)**
SJG 10-225	163.55	163.95	0.40	3.63
SJG-10-226	205.05	213.09	8.04	18.47
including	205.05	209.15	4.10	34.36
SJG-10-227	176.95	186.75	9.80	8.42
including	186.35	186.75	0.40	113.95
SJG-10-228	155.75	157.58	1.83	3.88
and	164.31	167.29	2.98	3.73
SJG-10-229	236.70	238.34	1.64	2.41
and	305.05	306.60	1.55	5.46
SJG-10-230	244.91	249.45	4.54	18.09
including	244.91	247.45	2.54	31.52
SJG-10-231	214.17	214.69	0.52	2.62
and	266.70	269.45	2.75	8.99
and	279.10	280.80	1.70	2.34
SJG-10-232	139.86	141.73	1.87	3.15

SJG-10-233	177.00	179.40	2.40	5.42
and	181.55	183.20	1.65	2.29
SJG-10-234	8.32	9.12	0.80	2.30
and	54.00	54.50	0.50	2.44
and	96.48	98.46	1.98	3.09
and	214.61	217.97	3.36	15.05
SJG-10-235	147.65	151.15	3.50	2.95
SJG-10-236	112.96	117.03	4.07	11.38
and	140.50	140.95	0.45	5.85
SJG-10-237	92.44	92.84	0.40	883.91
SJG-10-238	257.00	258.30	1.30	2.40
SJG-10-239	145.90	147.75	1.85	5.02
SJG-11-240	302.25	303.95	1.70	1.99
SJG-11-242	229.15	230.95	1.80	3.13
and	258.37	262.30	3.93	2.38
including	260.20	261.20	1.00	5.29
SJG-11-244	73.82	74.86	1.04	9.79
SJG-11-245	104.40	105.16	0.76	3.16
SJG-11-246	107.30	108.20	0.90	63.85
SJG-11-247	63.60	65.45	1.85	10.49
and	70.70	72.23	1.53	2.73
including	71.77	72.23	0.46	5.70
and	80.00	83.47	3.47	5.00
including	81.37	83.47	2.10	7.38
SJG-11-249	97.60	98.60	1.00	2.28
and	108.20	109.93	1.73	8.21
and	130.50	131.08	0.58	8.61
SJG-11-250	101.72	104.81	3.09	20.15
SJG-11-251	16.76	18.50	1.74	2.35
SJG-11-252	55.25	59.70	4.45	4.26
and	78.10	80.15	2.05	4.55
including	78.10	79.20	1.10	7.16
SJG-11-253	149.45	151.21	1.76	4.89
SJG-11-255	154.55	155.05	0.50	3.19
SJG-11-256	51.61	52.85	1.24	144.08
and	99.93	101.29	1.36	9.04
SJG-11-257	60.84	63.33	2.49	5.37
and	92.00	94.66	2.66	5.00
and	104.56	106.33	1.77	2.81
SJG-11-258	102.27	102.90	0.63	2.51
and	111.50	111.90	0.40	15.62
SJG-11-259	77.25	79.25	2.00	2.57

SJG-11-260	63.40	71.15	7.75	7.84
SJG-11-261	52.72	53.12	0.40	7.07
and	109.03	109.43	0.40	4.42
and	114.00	114.68	0.68	8.97

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

1.2.3 Cerro Colorado (Operating Mine)

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

Status of Operations
At the Cerro Colorado gold mine the Company produced 5,158 ounces of gold during the three months ended March 31, 2011.

During the first quarter of 2011 the Company continued to improve the mining operations by:

- Completing the removal of the majority of backlog waste to open up a new higher grade ore zone. As of March 2011 the mine began meeting its monthly targets of at least 2,000 ounce of gold production, which the Company anticipates will continue for the remainder of 2011.
- Improving the secondary crusher to optimize the aggregate flow of our crusher. These improvements made it possible for a considerably higher tonnes per day average thus allowing the mine to crush the tonnes necessary to place on the pad for leaching to meet budget.
- Purchasing a new larger diameter water pipe line to supply more water to the leach pad to improve recoveries of gold.
- Hiring a new maintenance manager, Paul Alexander, to help with improving the efficiency of the truck fleet and to make operations more efficient.
- Repairing several items in the plant-refinery to allow the mine to continue producing gold efficiently with the potential for more ounces at lower grades.
- Purchasing a new loader to improve production in the pit and increase tonnage of ore moved.
- Hiring a consulting geologist, Dr Roger Newell, who has considerable expertise in Sonora Mexico, to work with our geologists at the mine and surrounding area to add to Cerro's reserve.
- Exploration drilling has continued in areas immediately adjacent to and also near distant to the Cerro Colorado mine site to enhance the mineralization available for production at this facility

The Company expects to produce between 23,000 and 25,000 ounces in 2011.

Summary of Operating Results
A summary of key mining statistics for the three months ended March 31, 2011 is as follows:

- Production of 5,158 ounces of gold for Q1 2011 compared to 6,382 during Q1 2010.
- Average grade mined in Q1 2010 was 0.58 g/t Au compared to 0.64 g/t Au in Q1 2010.
- Tonnes mined increased 20% to 1.547 million in Q1 2011 compared to 1.286 million in Q1 2010.

- Cash cost per ounce of gold sold increased from $782 in Q1 2010 to $1,130 in Q1 2011 (see "Non-IFRS Financial Measures" and "Results of Mining Operations" for further discussion).

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

1.2.4 Overview

As of June 9, 2011, Goldgroup has cash and cash equivalents of approximately $41,737,000, is debt-free and unhedged. The Company currently intends to spend a portion of these funds as follows:

Caballo Blanco Project	**(000's)**
• Exploration and drilling to December, 2011	$ 5,000
• Exploration and underground sampling to December, 2011	2,100
• Technical reports, Environmental Impact Statement, permitting to December, 2011	1,200
• Metallurgical work to December, 2011	1,100
• Preliminary Economic Assessment – second half of 2011	500
• Production site preparation after Preliminary Economic Assessment	11,300
San José de Gracia	
• Exploration and drilling	$1,000
• Technical reports, Environmental Impact Statement, permitting to December, 2011	800
• Preliminary Economic Assessment – second half of 2011	300

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

The business combination between Sierra Minerals Inc. ("Sierra") and Goldgroup Holdings Corp. ("Holdings") has been defined as a reverse take-over ("RTO") of Sierra by Holdings effective April 30, 2010. The effect is that the continuing Company's consolidated financial statements and comparative financial statement information is that of Holdings. The purchase price allocation was prepared by management utilizing management's best estimates after taking into account all relevant information available at the time of the RTO. The consolidated statements of profits and loss and cash flows for the periods ended December 31, 2010, take into account only the effects of metal sales and the results of mine operations from May 1, 2010 to December 31, 2010.

The profitability and operating cash flow of the Company is affected by various factors, including the amount of gold produced and sold, the market price of gold, operating costs, interest rates, regulatory and environmental compliance, general and administrative costs, the level of exploration and development expenditures and other discretionary costs. Goldgroup is also exposed to fluctuations in foreign currency exchange rates that can materially impact profitability and cash flow. The majority of the Company's assets are located in Mexico and are subject to foreign investment risk, including increases in various levels of taxation and royalties, renegotiation of contracts, property title risk and

political uncertainty. While Goldgroup seeks to manage the level of risk associated with its business, many of the factors affecting these risks are beyond the Company's control.

1.2.5 Highlights

Consolidated Financial and Operating Highlights ***(Unaudited - expressed in 000's)***	**Three months ended March 31,**	
	2011	2010[a]
Gold ounces – produced [a]	**5,158**	-
Gold ounces – sold [a]	**4,640**	-
Metal sales	**$6,472**	$-
Cost of sales [b]	**$5,283**	$-
Depreciation, depletion and amortization	**$563**	$-
Mine operating earnings	**$626**	$-
Net loss	**$(2,055)**	$(792)
Basic and fully diluted loss per share	**$(0.02)**	$(0.02)
Cash flow consumed by operating activities, before changes in non-cash operating working capital	**$(16)**	$(938)
Average realized gold price per ounce sold [a]	**$1,386**	$-
Cost of sales per ounce sold [c]	**$1,130**	$-

(a) Results presented are for the full periods. Due to treatment of the business combination with Holdings (see below) as a RTO which closed on April 30, 2010, only the results from May 1, 2010 to December 31, 2010 are applicable to the financial results of Goldgroup Mining Inc. Comparability of production and mining operations financial results between 2009 and 2010 is limited as the Cerro Colorado mine results are only included from May 1, 2010 onward.

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

(c) Cost of sales per ounce sold for the three months ended March 31, 2011 includes a reduction for the silver by-product credit of $37. See "Non-IFRS Financial Measures".

1.2.6 Developments During and Subsequent to the Quarter Ended March 31, 2011

Short Form Prospectus Offering

On March 10, 2011 the Company completed a short form prospectus financing of 25 million common shares at a price of $1.44 (C$1.40) per share, for gross proceeds of $35,966,000 (C$35,000,000). In connection with the offering the underwriters exercised an overallotment option, in full, to acquire an additional 3.75 million common shares at $1.44 (C$1.40) per share, for gross proceeds of $5,394,900 (C$5,250,000). Share issue costs on this financing were $3,413,250 (C$3,365,453) which were paid to arm's lengths parties. The net proceeds received were $37,947,650 (C$36,884,547).

50% Earn-in of Dyna Mexico

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

As a result of the Company earning its 50% equity interest on March 14, 2011, the board of DynaMexico will comprise five members with DynaUSA and Goldgroup Mining each appointing two members and mutually agreeing on one additional member. Currently there are only four members as the one additional member has yet to be added. As management considers its board representation and its ability to participate in the financial and operating policy decisions of DynaMexico, the investment is accounted for using the equity method.

1.2.7 Gold Market

The price of gold is the largest single factor in determining profitability and cash flow from operations, therefore, the financial performance of the Company is expected to be closely linked to the price of gold. The average market price of gold during the three month periods ended March 31, 2011 was $1,387 per ounce. London P.M. fixings of the gold price during the three month period ranged from a low of $1,319 per ounce on January 28, 2011 to a high of $1,447 per ounce on March 24, 2011. These prices compare with averages of $1,109 per ounce during the same period in 2010. Prices for the three months ended March 31, 2010 ranged from a low of $1,058 per ounce to a high of $1,153 per ounce. The Company realized an average price of $1,387 per ounce on its sales of gold during the first quarter of 2011 compared to an average realized price of $1,112 for the same period in 2010 and compared to the average London P.M. fix for the first quarter of 2011 of $1,387 per ounce.

Gold prices continue to be supported by positive market fundamentals. Additionally, gold's appeal as a hedge against inflation and the United States dollar has continued to underpin historically high prices. Due to these factors, the Company expects gold prices to remain well supported in the near term in the midst of a high degree of market volatility.

1.3 Selected Quarterly Information

Three months ended March 31, 2011 versus March 31, 2010

(Unaudited - expressed in 000's)	**Three months ended March 31,**	
	2011	2010[b]
Metal sales	**$6,472**	$ -
Cost of sales [a]	**(5,283)**	-
Depreciation, depletion and amortization	**(563)**	-
Mine operating earnings	**626**	-
Other expenses (income)		
Administrative expenses	**1,698**	870
Other income	**(37)**	(280)
Financing expense	**10**	-
Share of equity loss in DynaMexico	**39**	9
Other expenses	**752**	112
	2,462	112
Loss before income taxes	**(1,836)**	(711)
Provision for income taxes:		
Current	**(20)**	-
Future	**(199)**	(81)
Net loss for the period	**$(2,055)**	(792)
Loss per share – basic and diluted	**$(0.02)**	$(0.02)

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

(b) Comparability of production and mining operations financial results between 2011 and 2009 is limited as the Cerro Colorado mine results are only included in Goldgroup's financial results from May 1, 2010 onwards.

1.4 Results of Mining Operations

Three months ended March 31, 2011 versus March 31, 2010
Cerro Colorado Gold Mine (100% ownership)

(Unaudited) **Operating Statistics** [(a)]	**Three months ended March 31,**	
	2011	2010
Ore mined– placed on leach pad (tonnes)	**575,970**	466,851
Waste mined (tonnes)	**971,154**	818,933
Total mined (tonnes)	**1,547,124**	1,285,784
Waste-to-ore ratio	**1.69**	1.75
Grade (g/t Au)	**0.58**	0.64
Gold ounces mined	**9,338**	9,674
Gold ounces – produced	**5,158**	6,382
Gold ounces – sold	**4,640**	6,375
Operating Financial Data [(a)] ***(Unaudited - expressed in 000's)***		
Mine operating income	**$626**	$nil
Plant and equipment	**$1,159**	$nil

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

Three months ended March 31, 2011 versus March 31, 2010 (Non-RTO basis)

- The Company mined 1,547,124 tonnes during the three months ended March 31, 2011 of which 575,970 tonnes of ore having an average grade of 0.58 g/t Au were mined compared to 1,285,784 tonnes mined during the three months ended March 31, 2010 of which 466,851 tonnes of ore, having an average grade of 0.64 g/t Au were mined. Overall, tonnes mined for the period increased 23% 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 March 31, 2011 was 5,158 ounces compared to 6,382 during the quarter ended March 31, 2011. This 19% decrease in production was a result of the Company removing a backlog of waste that was preventing proper pit development. The majority of the backlog waste was removed by the end of February 2011. The other cause of the decrease in production was that there was not adequate water supply for the leach pad. The new larger diameter pipeline that was installed in late February 2011 resolved this water supply problem and production improved in March 2011.
- Gold sales for the quarter ended March 31, 2011 were 4,640 ounces at an average realized price of $1,386 per ounce compared to 6,375 ounces sold at an average realized price of $1,112 for the quarter ended March 31, 2010.
- Operating cash costs for the quarter ended March 31, 2011 were $5,282,724 or $1,130 per ounce of gold sold including silver by-product credits of $8 per ounce, compared to $5,069,168 or $795 per ounce of gold sold for quarter ended March 31, 2010, before silver by-product credits of $13 per ounce. This represents an increase of $335 per ounce over the first quarter of 2010. The cost per ounce was higher during the quarter mainly due to the removal of waste to allow for proper pit development access to a higher grade ore zone which resulted in lower production of gold. Costs

rose as increased diesel consumption, increased usage of explosives, maintenance on equipment for the larger fleet of equipment and higher processing costs, which is mainly increased cyanide consumption as the mine continued leaching the old leach pad in addition to the new leach pad.

- Capital expenditures during the quarter ended March 31, 2011 were $1,167,221 compared to $483,061 during the same period in 2010. During the first quarter of 2011, the majority of capital expenditures related the purchase of a new loader, a crane, water pipeline and leach pad liner at the Cerro Colorado mine.

1.5 Summary of Quarterly Results

The following selected financial information is derived from unaudited financial statements of the Company. The information has been prepared by management in accordance with IFRS and in US dollars. Prior period amounts previously reported in Canadian GAAP have been reflected under IFRS.

(Unaudited - expressed in 000's)	**Q1 Mar 2011**	**Q4 Dec 2010**	**Q3 Sept 2010**	**Q2 June 2010**
Revenue	$6,472	$6,188	$5,317	$5,372
Earnings (loss) from mining operations	$626	$917	$(93)	$(344)
Net loss	$(2,055)	$(3,124)	$(6,754)	$(2,548)
Total Assets	$109,161	$68,835	$67,616	$82,600
Total Long-Term Financial Liabilities	$3,744	$3,324	$569	$513
Loss per share – basic and diluted	$(0.02)	$(0.03)	$(0.08)	$(0.03)

(Unaudited - expressed in 000's)	**Q1 Mar 2010**	**Q4 Dec 2009**	**Q3 Sept 2009**	**Q2 June 2009**
Revenue	nil	nil	nil	nil
Earnings from mining operations	nil	nil	nil	nil
Net loss	$(792)	$(237)	$(184)	$(461)
Total Assets	$36,799	$32,203	$18,307	$16,970
Total Long-Term Financial Liabilities	nil	nil	nil	nil
Loss per share – basic and diluted	$(0.02)	$(0.01)	$(0.00)	$(0.01)

1.6 Liquidity

Goldgroup's cash and cash equivalents increased by $31,957,347 during the three months ended March 31, 2011 as compared to an increase of $3,027,000 in the same period of 2010. As at March 31, 2011, the ending cash balance was $44,610,956 (December 31, 2010 - $12,653,609).

Working Capital
As at March 31, 2011, the Company had working capital of $49,827,303 compared to working capital of $16,343,195 as at December 31, 2010.

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

(Unaudited - expressed in 000's)	**Three months ended March 31,**	
Changes in Cash and Cash Equivalents	**2011**	2010
Consumed by operating activities – gross	**$(16)**	$ (938)
Changes in non-cash operating working capital	**(754)**	236
Consumed by operating activities - net	**(770)**	(702)
Investing activities	**(7,045)**	(172)
Financing activities	**39,772**	4,034
Effect of exchange rate changes	**-**	(134)
Increase in cash and cash equivalents	**31,957**	3,027
Beginning of period	**12,654**	515
End of period	**$ 44,611**	$ 3,541

Three months ended March 31, 2011 versus March 31, 2010

Operating Activities
Cash flow used by operating activities before changes in non-cash operating working capital during the three months ended March 31, 2011 was $15,809 compared to $937,996 during the same period of 2010. The operating cash flow in the quarter ended March 31, 2011 increased compared to the same period of 2010 as a result of the Cerro Colorado mine generating profit which was offset by increased labour costs, marketing and office costs. The first quarter of 2010 did not include any production from the Cerro Colorado mine and also included increased professional fees associated with the RTO of Sierra.

Investing Activities
During the three months ended March 31, 2011, the Company consumed cash of $7,045,366 compared to $171,762 in the same period of 2010. During the three months ended March 31, 2011, the Company spent $1,167,221 on plant and equipment, $1,878,145 on exploration and evaluation properties and $4,000,000 on its equity investment in DynaMexico. As noted in the "Results of Mining Operations" section, the majority of expenditures on plant and equipment relate to the purchase of a new loader, a crane, water pipeline and leach pad liner at the Cerro Colorado mine. Exploration and evaluation property expenditures were mainly incurred on the Caballo Blanco project where the Company made land acquisition costs of $737,769 and incurred expenditures of $1,140,465 on the current drill program, the environmental impact study, column leach testing and ground geophysics.

Financing Activities

During the three months ended March 31, 2011, cash flow generated by financing activities was $39,772,332 compared to $4,033,630 in the same period in 2010. During the three months ended March 31, 2011, the Company received $41,360,900 from public offering, net of share issuance costs of $3,413,250, received $147,454 on the exercise of options and $1,677,229 on the exercise of warrants.

Liquidity Outlook

Goldgroup had cash and cash equivalents of $44,610,956 available at March 31, 2011, an increase of $31,957,347 from the balance at December 31, 2010 of $12,653,609, while working capital increased by $33,483,608 to $49,826,803 at March 31, 2011 from $16,343,195 at December 31, 2010.

With the proceeds from the short form prospectus financing on March 10, 2011 for net proceeds of $37,947,650, the Company is well positioned to fund any upcoming exploration on its 50% equity on the San José de Gracia gold property and also fund the exploration on the Caballo Blanco property for the current drill program. The Company anticipates the Cerro Colorado mine to continue to generate positive cash flows over the next 12 months.

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

1.7 Capital Resources

On March 10, 2011 the Company completed a short form prospectus financing of 25 million common shares at a price of $1.44 (C$1.40) per share, for gross proceeds of $35,966,000 (C$35,000,000). In connection with the offering the underwriters exercised an overallotment option, in full, to acquire an additional 3.75 million common shares at $1.44 (C$1.40) per share, for gross proceeds of $5,394,900 (C$5,250,000). Share issue costs on this financing were $3,413,250 (C$3,365,453) which were paid to arm's lengths parties. The net proceeds received were $37,947,650 (C$36,884,547).

1.8 Off-Balance Sheet Arrangements

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

1.9 Transactions with Related Parties

Relationships	**Nature of the relationship**
Uracan Resources Ltd. ("Uracan")	Uracan is a public company and shares certain directors and key management. The Company shares office premises with Uracan
Key management	Key management are those personnel having the authority and responsibility for planning, directing and controlling of the Company and include the President and Chief Executive Officer, Chairman, Chief Financial Officer, Vice-President of Exploration, General Manager of Cerro Colorado, and Technical Director.

Key Management compensation includes:

(Unaudited - expressed in 000's)	Three Months Ended March 31, 2011	2010
Salaries	$ 255	$ 166
Benefits	9	3
Bonuses	13	-
Options	493	-
	$ 770	$ 169

At March 31, 2011, receivables include $25,303 (December 31, 2010 - $38,712; January 1, 2010 - $30,694) owing from Uracan and $nil (December 31, 2010 - $4,582; January 1, 2010 - $1,666) owing from an officer of the Company. The amount owing from Uracan is for its unpaid share of rent, administration staff salary and general office expenses. The companies share common office premises and have entered into a cost sharing arrangement, effective February 1, 2007.

At March 31, 2011, trade and other accounts payable includes $18,794 (December 31, 2010 - $38,712; January 1, 2010 - $65,766) owing to directors and/or companies controlled by the directors.

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

1.10 First Quarter

First quarter 2011 vs. First quarter 2010

- During the first quarter of 2011, the Cerro Colorado gold mine produced 5,158 ounces of gold compared to 6,382 during the comparative period of 2010. Gold sales during the first quarter of 2011 were 4,640 ounces at an average gold price of $1,386 per ounce compared to 6,375 ounces at an average gold price of $1,112 per ounce during the first quarter of 2010. As a result of the RTO accounting, gold sales revenue recorded in the results for the quarter ended March 31, 2010 was $nil.
- The mine's operating income was $626,446 for the quarter ended March 31, 2011 compared to $nil during the same period of 2010, as a result of the RTO.
- Overall, the Company recorded a net loss of $2,054,781 or $0.02 loss per share for the quarter ended March 31, 2011 compared to $791,428 or $0.02 loss per share for the first quarter ended March 31, 2010.
- Cost of sales of $5,282,724 represented cash operating costs at the Cerro Colorado gold mine for the period January 1st to March 31st, 2011 or $1,130 per ounce of gold sold including a silver by-product credits of $8 per ounce, compared to $nil or $nil per ounce of gold sold for the same period in 2010, as a result of the accounting for the RTO.
- Depreciation, depletion and amortization of $562,539 during the three months ended March 31, 2011 resulted primarily from fair values allocated to the Cerro Colorado mine, as result of the RTO, plant and equipment associated with the Cerro Colorado gold mine and amortization of the mining property and acquisition costs compared with $Nil during the first quarter of 2010. The majority of the depreciation expense is calculated on a unit-of-production basis.
- Administrative costs were $1,697,754 for the first quarter ended March 31, 2011 compared to $870,448 during the first quarter ended March 31, 2010. The increase is principally due to the recognition of part of the fair value of options granted during 2009, 2010 and 2011, an increase in size of the Company compared to 2010 with more employees, increased marketing and advertising, increased travel and exploration.

- Other expenses were $752,576 for the first quarter ended March 31, 2011 compared to $112,720 during the same period in 2010. The increase is principally due to loss on derivatives which relates warrant liability being fair valued as at March 31, 2011. There were no warrants issued as at March 31, 2010.

1.11 Proposed Transactions

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

1.12 Significant judgments, estimates and assumptions

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

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

(i) Reserves

Proven and probable reserves are the economically mineable parts of the Company's measured and indicated mineral resources demonstrated by at least a preliminary feasibility study. The Company estimates its proven and probable reserves and measured and indicated and inferred mineral resources based on information compiled by appropriately qualified persons. The information relating to the geological data on the size, depth and shape of the ore body requires complex geological judgments to interpret the data. The estimation of future cash flows related to proven and probable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the proven and probable reserves or measured and indicated and inferred mineral resources estimates may impact the carrying value of property, plant and equipment, goodwill, reclamation and remediation obligations, recognition of deferred tax amounts and depreciation, depletion and amortization.

(ii) Purchase Price Allocation

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

value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill in the purchase price allocation.

(iii) Depreciation, depletion and amortization

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

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

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

(iv) Impairment of goodwill and other assets

Any goodwill is tested for impairment annually or more frequently if there is an indication of impairment. The carrying value of plant and equipment is reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in profit or loss. The assessment of fair values, including those of the cash-generating units for purposes of testing goodwill, require the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of goodwill or other assets could impact the impairment analysis.

(v) Inventories

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

Costs are attributed to the leach pads based on current mining costs, including applicable depreciation, depletion and amortization relating to mining operations incurred up to the point of placing the ore on the pad. Costs are removed from the leach pad based on the

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

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

(vi) Decommissioning and restoration provision

The Company assesses its provision for reclamation and remediation on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

(vii) Deferred taxes

The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income and resource tax assets.

(viii) Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to the statement of loss and comprehensive income (loss) over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price

volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

1.13 Change in Accounting Policies Including Initial Adoption

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

Accounting Standards Issued and Effective January 1, 2012

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

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

Accounting Standards Issued and Effective January 1, 2013

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

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

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

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

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

IFRS 13 *Fair Value Measurement* defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value

measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 *Share-based Payment*; leasing transactions within the scope of IAS 17 *Leases*; measurements that have some similarities to fair value but that are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets.*

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

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

1.14 Financial Instruments and Other Instruments

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

Readers are encouraged to read and consider the financial risk factors more particularly described in Note 22, "Risk Management" and its approach to the "Management of Capital" described in note 21 to the Consolidated Financial Statements for the three months ended March 31, 2011.

1.15 Basis of Preparation and first-time adoption of International Financial Reporting Standards

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

1.16 Transition to IFRS

As previously discussed in the Company's MD&A for the year ended December 31, 2010, the Company implemented its conversion from Canadian GAAP to IFRS on January 1, 2010. There were no significant issues noted during the reporting process for the Company's three months ended March 31, 2011.

The effects of the transition to IFRS on equity, total comprehensive income and reported cash flows are presented in this section and are further explained in the notes that the accompany the table.

Upon transition, IFRS 1 permits certain exemptions from full retrospective application. The Company has applied the mandatory exceptions and elected certain optional exemptions. Mandatory exceptions adopted by the Company include:

a. Financial assets and liabilities that have been derecognized before 1 January 2004 under Canadian GAAP have not been recognized under IFRS.
b. The Company has used estimates under IFRS that are consistent with those applied under Canadian GAAP (with adjustments for accounting policy differences) unless there is objective evidence those estimates were in error.

Optional exemptions elected by the Company include:

a. The Company has elected to not apply IFRS 3, Business Combinations retrospectively to business combinations that occurred before the Transition Date.
b. The Company has elected to not apply IFRS 2, Share-based Payments to equity instruments that were granted prior to the Transition Date.

Presentation differences
The following presentation differences between Canadian GAAP and IFRS have no impact on reported loss and comprehensive income (loss) or equity:

- Mineral properties as reported under Canadian GAAP have been segregated into exploration and evaluation properties and mine properties under IFRS.
- Accretion expense has been reclassified from cost of sales to other expenses.

Some line items are described differently under IFRS compared to Canadian GAAP. These line items are as follows (with Canadian GAAP descriptions in brackets):

- Deferred tax liability (“Future income tax liability”)
- Exploration and evaluation properties and Mine properties (“Mineral properties”)
- Trade and other accounts payable (“Accounts payable and accrued liabilities”)
- Decommissioning and restoration provision (“Asset retirement obligation”)
- Share option reserve (“Contributed surplus”)

Adjustments required in transitioning from GAAP to IFRS are set out in the following tables:

Reconciliation of consolidated statements of financial position

(expressed in 000's)		As at January 1, 2010			As of March 31, 2010			As at December 31, 2010		
		CDN GAAP	Effect of transition to IFRS	IFRS	CDN GAAP	Effect of transition to IFRS	IFRS	CDN GAAP	Effect of transition to IFRS	IFRS
ASSETS	**Note**									
Current										
Cash and cash equivalents		$ 515	$ -	$ 515	$ 3,541	$ -	$ 3,541	$ 12,654	$ -	$ 12,654
Investment held for trading		2,313	-	2,313	1,031	-	1,031	-	-	-
Receivables		219	-	219	317	-	317	2,557	-	2,557
Inventories		-	-	-	-	-	-	4,165	-	4,165
Prepaids and deposits		99	-	99	72	-	72	274	-	274
		3,146	-	3,146	4,961	-	4,961	19,650	-	19,650
Plant and equipment		458	-	458	431	-	431	5,423	-	5,423
Investment in DynaResource de Mexico SA de CV		10,031	-	10,031	11,287	-	11,287	14,390	-	14,390
Exploration and evaluation properties	**c**	21,513	(2,945)	18,568	23,180	(3,060)	20,120	22,855	(3,060)	19,795
Mine properties	d	-	-	-	-	-	-	14,327	(4,750)	9,577
		$ 35,148	$ (2,945)	$ 32,203	$ 39,859	$ (3,060)	$ 36,799	$ 76,645	$ (7,810)	$ 68,835
LIABILITIES AND EQUITY										
Current										
Trade and other accounts payable		$ 402	$ -	$ 402	$ 714	$ -	$ 714	$ 2,345	$ -	$ 2,345
Warrant liability	b	-	-	-	-	-	-	-	962	962
Agreement payable		4,758	-	4,758	2,958	-	2,958	-	-	-
		5,160	-	5,160	3,672	-	3,672	2,345	962	3,307
Decomissioning and restoration provision	a	-	-	-	-	-	-	537	46	583
Warrant liability	b	-	-	-	-	-	-	-	2,741	2,741
Deferred tax liability	c,d	3,637	(2,945)	692	3,845	(3,060)	785	9,047	(4,475)	4,572
		8,797	(2,945)	5,852	7,517	(3,060)	4,457	11,929	(726)	11,203
Shareholders' equity				-			-			-
Share capital		30,947	-	30,947	36,732	-	36,732	72,421	-	72,421
Share option reserve		2,326	-	2,326	2,345	-	2,345	4,372	-	4,372
Warrant equity	b	-	-	-	-	-	-	2,719	(2,719)	-
Translation reserve		(1,334)	-	(1,334)	(355)	-	(355)	(355)	-	(355)
Deficit	a,b,c,d	(5,588)	-	(5,588)	(6,380)	-	(6,380)	(14,441)	(4,365)	(18,806)
		26,351	-	26,351	32,342	-	32,342	64,716	(7,084)	57,632
		$ 35,148	$ (2,945)	$ 32,203	$ 39,859	$ (3,060)	$ 36,799	$ 76,645	$ (7,810)	$ 68,835

Reconciliation of consolidated statement of loss and comprehensive income (loss):

(expressed in 000's)		Three months ended March 31, 2010			Year ended December 31, 2010		
	Note	CDN GAAP	Effect of transition to IFRS	IFRS	CDN GAAP	Effect of transition to IFRS	IFRS
Revenue							
Gold sales		$ -	$ -	$ -	$ 16,784	$ -	$ 16,784
Silver sales		-	-	-	93	-	93
		-	-	-	16,877	-	16,877
Cost and expenses of mining operations							
Cost of sales		-	-	-	14,484	-	14,484
Depreciation, depletion and amortization	d	-	-	-	2,063	(150)	1,913
Accretion of decommissioning and restoration provision	a	-	-	-	34	(34)	-
		-	-	-	16,581	(184)	16,397
Mine operating income		-	-	-	296	184	480
Expenses and other (income)							
Administrative expenses		870	-	870	6,702	-	6,702
Other income	c,d	(280)	-	(280)	(466)	(73)	(539)
Financing expense	b	-	-	-	119	132	251
Share of equity loss in DynaMexico		9	-	9	128	-	128
Gain on sale of El Porvenir		-	-	-	(16,787)	-	(16,787)
Impairment of goodwill	a	-	-	-	16,673	46	16,719
Impairment of mine properties	d	-	-	-	-	4,900	4,900
Other expenses	a,b	112	-	112	757	886	1,643
		711	-	711	7,126	5,891	13,017
Loss before income taxes	a,b,c,d	(711)	-	(711)	(6,830)	(5,707)	(12,537)
Provision for current tax		81	-	81	2,347	-	2,347
Recovery of deferred tax		-	-	-	(324)	(1,342)	(1,666)
		(792)	-	(792)	(8,853)	(4,365)	(13,218)
Other comprehensive income		979	-	979	979	-	979
Comprehensive income (loss) for the period		$ 187	$ -	$ 187	$ (7,874)	$ (4,365)	$ (12,239)

Notes to Reconciliation

a) ***Decommissioning and restoration provision***

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. In addition the accretion expense is classified as a financing expense under IFRS.

There was no impact on the transition to IFRS or any impact during the quarter ended March 31, 2010.

For the year ended December 31, 2010 the decommissioning and restoration provision was increased by $46,000 with a corresponding increase in impairment of goodwill.

For the year ended December 31, 2010 $34,153 was reclassified from accretion expense to Other expenses.

b) ***Warrant liability***

Under IFRS, warrants issued with exercise prices denominated in currencies other than the US dollar, the Company's functional currency, are classified and presented as financial liabilities and measured at fair value. Under Canadian GAAP, all warrants are presented as equity. At December 31, 2009, the Company had no warrants and therefore there is no impact on the opening consolidated statement of financial position. As part of the consideration for the reverse takeover in April 2010, the Company acquired warrant obligations. In the third quarter of 2010, the Company issued additional warrants of which issue costs were expensed.

During the three months ended March 31, 2010, there was no impact.

During the year ended December 31, 2010, the increase in fair value of warrants, as determined under IFRS, resulted in a decrease of $852,000 in income included in Other expense with a corresponding increase in warrant liability. In addition, issue costs debited to warrant equity under Canadian GAAP were expensed under IFRS, which resulted in an increase of $132,000 in financing expense.

c) ***Deferred tax liability***

Under IFRS, in the determination of temporary differences, the carrying value of non monetary assets and liabilities is translated into the functional currency at the historical rate and compared to its tax value translated into the functional currency at the current rate. The resulting temporary difference (measured in the functional currency) is then multiplied by the appropriate tax rate to determine the related deferred tax balance. Under CDN GAAP, in the determination of temporary differences related to non-monetary assets and liabilities, the temporary differences computed in local currency are multiplied by the appropriate tax rate. The resulting future income tax amount is then translated into the Company's functional currency if it is different from the local currency.

IFRS prohibits the recognition of a deferred tax asset or liability arising on initial recognition of an asset or liability if the acquisition is not a business combination and neither accounting profit nor taxable profit were affected. Under Canadian GAAP, temporary differences on initial recognition of an asset or liability are recorded. Accordingly, as at January 1, 2010 and subsequently for those periods previously reported in Canadian GAAP, the Company reversed the deferred tax liability on the November 2009 acquisition of Minera Cardel SA de CV with an associated reduction of exploration and evaluation properties (Caballo Blanco).

On transition, the temporary differences of foreign currency non-monetary assets and liabilities and the Minera Cardel SA de CV acquisition resulted in an opening balance sheet adjustment to decrease deferred tax liability and the exploration and evaluation properties by $2,945,000.

During the quarter ended March 31, 2010, $3,060,000 additional deferred tax was reversed on the acquisition of Minera Cardel SA de CV with a corresponding decrease in exploration and evaluation properties. During the year ended December 31, 2010, deferred tax liability decreased by $3,103,000, exploration and evaluation properties decreased by $3,060,000 and the foreign exchange gain increased by $43,000.

d) ***Impairment of mine property***

Under Canadian GAAP, there is a two-step process to impairment analysis. Step one involves comparing the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, step two is required and involves recognizing an impairment charge for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Under IFRS, the impairment analysis is a one-step process. An impairment charge is recognized for the amount by which the carrying value of the asset exceeds the recoverable amount of the asset.

Under Canadian GAAP, the estimated undiscounted future cash flows related to the April 30, 2010 Cerro Colorado acquisition exceeded the carrying value of the property.

There was no impact on the transition to IFRS or any impact during the quarter ended March 31, 2010.

At September 30, 2010 the Company completed its annual goodwill and long-lived non-financial asset impairment tests under IFRS in accordance with the methodology described in note 2.4(iv) and it was determined that a recoverable amount was lower than the carrying value of the property. During the year ended December 31, 2010 the Company recorded a $4,900,000 impairment charge with a corresponding decrease to the Cerro Colorado mine properties. In addition, the deferred tax liability decreased by $1,421,000, deferred tax recovery increased by $1,384,000 and foreign exchange gain increased by $37,000. Also in relation to the impairment charge, during the year ended December 31, 2010 depletion expense on Cerro Colorado decreased by $150,000 and correspondingly deferred tax liability increased by $49,000, deferred tax recovery decreased by $42,000 and foreign exchange gain decreased by $7,000.

1.17 Other MD&A Requirements

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

Additional Information

Additional information relating to the Company, including the Company's March 2, 2011 Short Form Prospectus and the AIF is available on the SEDAR website at www.sedar.com.

Approval

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

Qualified Person

Unless otherwise indicated, Goldgroup and Kevin James Sullivan, B.Sc. M.AusIMM, Goldgroup's Vice-President, Exploration, who is the qualified person for the purpose of NI 43-101 have reviewed, verified and compiled the scientific and technical information in this MD&A ("Technical Information") in accordance with National Instrument 43-101 – Standards of Disclosure for mineral projects ("NI 43-101") based on information contained in the technical reports and news releases ("collectively the

"Disclosure Documents") available under Goldgroup's company profile on SEDAR at www.sedar.com and on the Company's website. Each Disclosure Document was prepared by or under the supervision of a qualified person (a "Qualified Person") as defined in National Instrument 43-101- Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators ("NI 43-101"). Readers are encouraged to review the full text of the Disclosure Documents which qualifies the Technical Information. Readers are advised that mineral resources that are not mineral reserves do not have demonstrated economic viability. The Disclosure Documents are each intended to be read as a whole and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

1.17.1 Disclosure of Outstanding Share Data

Goldgroup's authorized capital stock consists of an unlimited number of common shares without par value. As at June 9, 2011, there were 120,040,119 common shares issued and outstanding.

As at June 9, 2011, the Company also had the following options and warrants issued and outstanding:
- 8,245,706 common share options with a weighted average exercise price of C$0.86 expiring at various dates to January 31, 2015.
- 2,916,800 common share warrants with an exercise price of C$1.25 expiring on November 26, 2015.

1.17.2 Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate control over its financial reporting, and has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced. Management, including the Chief Executive Officer and the Chief Financial Officer, has conducted an evaluation of the design effectiveness of the Company's control over financial reporting based on the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Company's management has concluded that internal control over financial reporting was effective as of March 31, 2011 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

The financial reporting changes that resulted from the application of IFRS accounting policies were implemented during the three months ended March 31, 2011 and have not materially affected, and are not reasonably likely to materially affect, the Company's internal control over financial reporting

Limitations of controls and procedures:
The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of

the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

1.17.3 Disclosure Controls and Procedures

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

1.17.4 Non-IFRS Financial Measures

Cash Costs

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

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

The following table provides a reconciliation of total cash costs per ounce sold for the Cerro Colorado gold mine to the cost of sales, excluding depreciation, depletion and amortization as per the consolidated statement of operations.

Cash Costs – January 1, 2011 to March 31, 2011

	Three months ended March 31,
(unaudited- expressed in 000's)	**2011**
Cost of sales (excluding depreciation, depletion and amortization)	**$ 5,283**
Silver by-product credit	**(38)**
	$ 5,245
Gold ounces sold	**4,640**
Total cash costs ($/oz. sold)	**$ 1,130**
Breakdown of cost per ounce sold	
Direct operating costs	**$ 1,101**
3.0% NSR Royalty	**38**
Less: silver by-product credits	**(8)**
Total cash costs ($/oz. sold)	**$ 1,130**

1.17.4 Investor Relations Activities

In addition to in-house investor relations programs, the Company has also seen the need to increase stock distribution and leverage its awareness building initiatives in the USA, and Europe through outsourcing of US centric firms.

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

1.17.4 Risks and Uncertainties

Exploration, development and mining of metals involve numerous inherent risks. As such, the Company is subject to various financial, operational and political risks that could have a significant impact on its profitability and levels of operating cash flows. Such risk factors could materially affect the value of the Company's assets and future operating results of the Company and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. For a more comprehensive discussion of the risks faced by the Company, please refer to the Company's MD&A as at December 31, 2010 and the Annual Information Form filed at www.sedar.com.

Cautionary Statement on Forward-Looking Information

All statements, other than statements of historical fact, contained or incorporated by reference in this MD&A, including any information as to the future financial or operating performance of Goldgroup, constitute “forward-looking statements” within the meaning of certain securities laws, including the “safe harbour” provisions of the Securities Act (Ontario) and are based on expectations, estimates and projections as of the date of this MD&A. Forward-looking statements include, without limitation, statements with respect to the future price of gold, the estimation of mineral reserves and resources, the realization of mineral reserve and resource estimates, the timing and amount of estimated future production, costs of production, expected capital expenditures, costs and timing of development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. The words, “plans”, “expects”, or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might”, or “will be taken”, “occur”, or “be achieved” and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Goldgroup as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of Goldgroup which may prove to be incorrect, include, but are not limited to, the various assumptions set forth herein as well as: (1) there being no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, damage to equipment or otherwise; (2) that the exchange rate between the Canadian dollar and Mexican Peso and the US dollar will be approximately consistent with current levels; (3) certain price assumptions for gold; (4) prices for energy and other key supplies remaining consistent with current levels (5) production forecasts meet expectations; (6) the accuracy of our current mineral reserve and resource estimates. Known and unknown factors can cause actual results to differ materially from those projected in the forward-looking statements. Such factors include but are not limited to: fluctuations in currency markets; fluctuation in the spot and forward price of gold; changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Mexico, Canada and the United States or other countries in which we do or may carry on business in the future; business opportunities that be presented to, or pursued by us; our ability to successfully integrate acquisitions; operating or technical difficulties in connection with mining or development activities; employee relations; the speculative nature of gold exploration and development, including the risks of obtaining necessary licences and permits; diminishing quantities or grades of reserves; and contests over title to properties, particularly title to undeveloped properties. In addition, there are risks and hazards associated with the business of gold exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, and gold bullion losses (and the risk of inadequate insurance, or inability to obtain insurance, to cover these risks). Many of these uncertainties and contingencies can affect Goldgroup’s actual results and could cause actual results to differ materially from those expected or implied in any forward-looking statements made by, or on behalf of, Goldgroup. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements, and those in the “Risks and Uncertainties” section hereof. These factors are not intended to represent a complete list of the factors that could affect Goldgroup. Goldgroup disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, or to explain any

material differences between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

Cautionary note to U.S. Investors

The terms “measured mineral resource”, “indicated mineral resource”, and “inferred mineral resource” used in this management discussion and analysis are Canadian geological and mining terms as defined in accordance with National Instrument 43-101. Standards of Disclosure for Mineral Projects (“NI 43-101”) under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the CIM) Standards on Mineral Resources and Mineral Reserves. We advise U.S. Securities and Exchange Commission (“SEC”) does not recognize them. “Inferred mineral resources” in particular have a great amount of uncertainty as to their existence, and great uncertainty as to their feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not generally form the basis of feasibility or other economic studies. U.S. investors are cautioned not to assume that any part of an inferred mineral resource exists, or is economically or legally mineable. Disclosure of contained metal expressed is in compliance with NI 43-101, but does not meet the requirements of Industry Guide 7 of the SEC, which will only accept the disclosure of tonnage and grade estimates for non-reserve mineralization.