GOLDGROUP MINING INC.
Management's Discussion and Analysis
For the Three Months Ended March 31, 2012

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1.1 Date

This Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Goldgroup Mining Inc. ("Goldgroup" or the "Company") together with its subsidiaries as of May 10, 2012, and is intended to supplement and complement the Company's condensed interim consolidated financial statements for the three months ended March 31, 2012. Readers are cautioned that this MD&A contains forward-looking statements and that actual events may vary from management's expectations. Goldgroup's public disclosure documents are available on SEDAR at www.sedar.com. The condensed interim consolidated financial statements and MD&A are presented in United States ("US") dollars, except where noted, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This discussion addresses matters we consider important for an understanding of our financial condition and results of operations as of and for the three months ended March 31, 2012.

The MD&A contains forward-looking statements and should be read in conjunction with the risks discussed herein and those set out under the heading "Risk Factors" in Goldgroup's annual information form dated March 30, 2012 (the "AIF"). Please also refer to the "Cautionary Statement on Forward-Looking Information" at the end of this MD&A.

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

1.2 Overall Performance

2012 Highlights

- Goldgroup produced an updated technical report on the Caballo Blanco gold project dated February 17, 2012 based on drilling completed in 2010 and 2011. Based on a 0.2 g/t Au cut-off grade, the Company's indicated mineral resource estimate at the La Paila Zone at Caballo Blanco grew by 314% compared to the prior technical report (dated March 22, 2010), from 139,000 to 575,000 ounces of gold (28.9 million tonnes grading 0.62 g/t Au). The inferred mineral resource estimate summed to 419,000 ounces of gold (24.0 million tonnes grading 0.54 g/t Au).
- Goldgroup produced an updated technical report on the San José de Gracia gold project dated January 3, 2012. This Technical Report significantly increased the Company's mineral resource estimate at the project, establishing indicated resources at the Tres Amigos vein of 147,000 ounces of gold, and growing inferred resources at all four veins from 618,000 to 963,000 ounces of gold, representing an increase of 56%. The prior technical report dated February 28, 2011, estimated solely inferred mineral resources.
- On April 12, 2012, the Company announced initial results from its Preliminary Economic Assessment ("PEA") for the Caballo Blanco project, indicating robust project economics of a 66.4% pre-tax internal rate of return ("IRR") and a $283.8 million pre-tax net present value ("NPV") using a 5% discount rate, and a payback period of 1.5 years, based on a gold price of $1,500 per ounce.
- Effective April 11, 2012, the Company and NGEx Resources Inc. ("NGEx") terminated the 1.5% Net Smelter Return ("NSR") royalty that NGEx held with respect to 70% of gold production, representing a 1.05% NSR on total gold production, from the Caballo Blanco Project for consideration of Cdn$1,000,000 cash and 2,200,000 common shares of Goldgroup. In addition, withholding taxes of approximately $280,000 will be paid by the Company in the second quarter of 2012. There is no longer a C$5,000,000 advance royalty payment due to NGEx within 30 days

following the commencement of commercial production of the project. The total NSR on the Caballo Blanco project is now 1.9%.

- Changes to the Board of Directors:
  - Effective April 10, 2012, the Company announced that Mr. Robert Byford resigned from the Board of Directors of Goldgroup.
  - On April 23, 2012, Mr. Lenard F. Boggio agreed to be appointed to the Board of Directors of Goldgroup, effective May 10, 2012. Mr. Boggio has an extensive accounting, financial, auditing and governance background focused on mining, energy and financial services sectors.
  - On April 26, 2012, the Company appointed Mr. Chester F. Millar to the Board of Directors of Goldgroup. Mr. Millar is a pioneer of heap leach gold production and of large-scale bulk mining methods and techniques used for mining low-grade gold deposits worldwide.
  - Effective April 30, 2012, the Company announced that Dr. Paul L. Zweng resigned from the Board of Directors of Goldgroup and has taken a strategic advisory role as part of Goldgroup's Board of Advisors.

1.2.1 Company Overview

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

Effective after the close of trading on September 16, 2011, the Standard and Poor's Canadian Index Operations added Goldgroup to the S&P/TSX SmallCap Index. The Company is listed on the Toronto Stock Exchange ("TSX") under the symbol "GGA" and on the Over-The-Counter ("OTC") exchange under the symbol "GGAZF".

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

The Company expects that any revenues from production will finance the current operations of the Company. The Company will have to raise additional funds over and above amounts raised to date to construct and commission the Caballo Blanco mine, as well as to complete the acquisition, exploration and development of its other property interests. While the Company has been successful in raising capital in the past, there can be no assurance that it will be able to do in the future.

1.2.2 Caballo Blanco Project

Goldgroup owns 100% of the Caballo Blanco gold project which consists of a series of fully oxidized gold zones located in the State of Veracruz in eastern Mexico. The property consists of 14 mineral claims covering an area of 54,732 hectares.

The Caballo Blanco gold project consists of a series of vuggy silica breccias, high sulphidation, fully oxidized epithermal gold zones. The gold is very fine and occurs within a vuggy and brecciated silica alteration of an original Andesite host rock in the upper levels of the surrounding epithermal system. Two large areas of epithermal gold mineralization have been discovered within the current Caballo Blanco property, referred to as the Northern Zone and Highway Zone. The principal known gold zone at Caballo Blanco is the La Paila Zone located within the Northern Zone. The La Paila Zone is located on the northern portion of a large magnetic high ring structure that measures approximately three kilometres in diameter. At least four other large induced polarization (IP) resistivity high anomalies occurring here, with similar silica alteration to La Paila, have been identified along the inner flanks of this magnetic feature. The La Paila Zone currently remains open to the south, southwest and northeast.

On October 14, 2011 the Company completed the acquisition of the remaining 30% interest in the Caballo Blanco project held by Almaden Minerals Ltd. ("Alamaden"). Goldgroup now owns 100% of the Caballo Blanco gold project. Effective April 11, 2012 the Company purchased a 1.05% of the NSR royalty on the Caballo Blanco project from NGEx for Cdn$1 million cash and 2.2 million common shares of Goldgroup. The total NSR royalty payable upon production of the Caballo Blanco project is 1.9%.

Goldgroup continues to advance the Caballo Blanco project, in areas such as land acquisitions, permitting, preliminary engineering, exploration drilling and geological studies and the consolidation of the operations team as the Company prepares for the expected commencement of production in 2013.

The Company currently controls approximately 80% of the surface rights required for the life of mine operations and is negotiating for the remaining 20% of the surface rights, which are not critical for the commencement of production.

The Company has contracted an independent research metallurgical laboratory to complete the quality assurance/quality control ("QA/QC") of 20 column leach tests at its on-site column leach testing facility at Arroyo Agrio. To date, 40 column leach tests have been performed by the Company's metallurgists at this facility, showing gold recoveries ranging from 76% to 94% based on atomic absorption analysis of the recovered solution and a final fire assay of the column residue. The PEA results released by the Company in April 2012 highlighted an overall metallurgical recovery of 80.7%.

Underground tunnelling on the La Paila Zone commenced on September 21, 2011. To date, the tunnel has advanced a total of 266 metres in the main drift and western crosscut, of which 224 metres is in mineralized vuggy, massive and brecciated silica rock. The main tunnel and west crosscut at the La Paila Zone were driven to collect bulk-sample material for ongoing metallurgical test work. The tunnelling also provides direct access to the mineralized zone allowing the Company to enhance its understanding of the geological and geotechnical characteristics of the mineralization at the La Paila Zone.

The Company continues its 30,000 metre exploration program at Caballo Blanco, with three diamond drills currently in operation, with the objective to better define and to expand the current La Paila Zone resource. Goldgroup also continues to explore its properties utilizing geological mapping and surface sampling in a number of areas, which is mainly focused in the Northern Zone.

On January 12, 2012 the Company hired Mr. Patrick Glynn as the Company's Vice-President, Technical and Projects. Mr. Glynn commenced employment on February 1, 2012 and has taken over the engineering and construction of the Caballo Blanco project. The former General Manager of Caballo Blanco, Mr. Richard Irvine, resigned from Goldgroup on February 23, 2012.

Status of Project
Goldgroup released an updated technical report on the Caballo Blanco gold project on February 15, 2012 based on drilling completed in 2010 and 2011**.** Based on a 0.2 g/t Au cut-off grade, the Company's indicated mineral resource estimate at the La Paila Zone grew by 314% compared to the prior technical report (dated March 22, 2010), from 139,000 to 575,000 ounces of gold (28.9 million tonnes grading 0.62 g/t Au). The inferred mineral resource estimate summed to 419,000 ounces of gold (24.0 million tonnes grading 0.54 g/t Au). The updated technical report also added silver mineral resources to the mineral resource estimate at Caballo Blanco, including 2,150,000 ounces of silver indicated mineral resources (28.9 million tonnes grading 2.32 g/t Ag) and 1,930,000 ounces of silver inferred mineral resources (24.0 million tonnes grading 2.5 g/t Ag). These mineral resources were estimated using the initial 33 diamond drill holes completed by the previous owners of the project and an additional 112 diamond drill holes completed by Goldgroup during its 2010 and 2011 drill campaign for a total of 145 holes used to estimate the updated resource. All resources are hosted within fully oxidized material.

On April 12, 2012, the Company announced initial results from its PEA for the Caballo Blanco project, indicating robust project economics of a 66% pre-tax IRR and a $284 million pre-tax NPV, using a 5% discount rate.

The highlights from the initial results from the PEA include the following:

- The Whittle optimization model shell contains 49.3 million tonnes of mineralized material above the Net Smelter Return ("NSR") cut-off of $3.04/t and 852,000 ounces of contained gold and 3.6 million ounces of contained silver. The NSR parameters utilized in the optimization model were $1,150 per ounce for gold and $21.50 per ounce for silver. The initial strip ratio is 0.5 and 1.3 in years one and two respectively, and an overall strip ratio of 1.66 for the Life-of-Mine ("LOM").
- Overall anticipated metallurgical gold recovery of 80.7% based on current metallurgical testing.
- At full production of 20,000 tonnes per day, expects annual production of 95,000 ounces of gold for years two to seven, for a total production of 687,000 ounces of gold and 1.3 million ounces of silver for the expected LOM of 7.5 years.
- Total cash operating cost of US$784 per ounce of gold.
- Anticipate pre-production period of approximately one year, which includes nine months of construction and three months of pre-production ramp up.
- Initial capital costs estimated at US$84.8 million, plus additional US$53.5 million of sustaining capital costs over the LOM.
- Un-leveraged pre-tax internal rate of return ("IRR") of 66.4% and a net present value ("NPV") of US$283.8 million at a base case gold price of US$1,500 per ounce, a silver price of US$30 per ounce, and a discount rate of 5%, representing a payback period of 1.5 years.
- Total LOM pre-income tax cash flow is US$386.3 million, net of pre-production development and sustaining capital of US$138.3 million.

Table 1: PEA Highlights – Base Case

	Unit	Values
Average Mined Gold Grade	g/t	0.538
LOM from Production Start	Years	7.5
IRR Pre-Tax	%	66.4
NPV Pre-Tax (5% Discount Rate)	US$M	283.8
Payback Period from Production Start	Years	1.5
NPV Pre-Tax (0% Discount Rate)	US$M	386.3
Initial Capital Cost	US$M	84.8
Sustaining Capital Cost	US$M	53.5
Cash Costs	US$/oz	783.99
Metallurgical Recovery	%	80.7
Total Recovered Gold	oz	687,000
Total Mine Gold to Leach Pad	oz	852,000

Table 2: Economic Parameters

	US $M	US $/t Resource	US $/oz Au
Mine Gate Value of All Resource Net of Transportation and Refining	1,064	21.58	1,546.77
Mining Operating Cost	(264.3)	(5.36)	(384.33)
Processing Cost	(160.7)	(3.26)	(233.69)
Water Treatment/Management Cost	(35.4)	(0.72)	(51.45)
General & Administration Cost	(60.1)	(1.22)	(87.45)
Royalty Cost	(18.6)	(0.38)	(27.07)
Cash Operating Cost	(539.1)	(10.94)	(783.99)
Cash Operating Cash Flow	524.6	10.64	762.78
Capital Cost Including Pre-Production Development	(138.3)	(2.80)	(201.04)
Pre-Income Tax Cash Flow	386.3	7.84	561.74

The full PEA study will be filed on SEDAR and on the Company's website within 45 days of the initial PEA results press release, dated April 12, 2012. The PEA was based on contract-mining, incorporating an open-pit mine and a 20,000 tonne per day heap-leach processing facility. Utilizing the Whittle optimization model, economic pit optimization was run using a US$1,150 per ounce of gold. The PEA was completed and compiled by KD Engineering (the "Engineer") of Tucson, Arizona, with contributions by SRK Consulting (Canada) Inc., and MWH Americas, Inc. The PEA was based on indicated and inferred mineral resources using the mineral resource estimate dated February 16, 2012 prepared by Jim Cuttle, P. Geo., and Gary Giroux, P. Eng., of Giroux Consultants Ltd., each of which is an independent Qualified Person under NI 43-101 standards.

Recommendations of the PEA

Goldgroup will address the recommendations identified in the PEA with a view of eliminating assumptions and providing substantive data to progress the project towards production, in addition to determining methods to improve expected operating costs and reduce capex costs. The following areas will be further investigated by Goldgroup:

- Electrical connection to the main overhead power grid

- Evaluating option of installing conveyors in later years for conveying of ore from mine site to heap leach pad and stacking of ore by conveyor versus trucks
- Crushing requirements for the different ore types

Goldgroup intends to complete additional engineering investigations in the following areas:

- Water balance refinement by continuing weather and precipitation data capture
- Characterization of the heap hydraulic properties
- Geotechnical assessment for design purposes
- Metallurgical testing to investigate and quantify but not limited to:
- Variations in the gold host lithology (vuggy silica, brecciated and massive silica) using the existing drill hole data
- Metallurgical testing of different host lithology's from the exploration tunnel
- Metallurgical testing to establish particle size for leaching of various ore types
- Composite sample testing for different years of operation
- Crushing and abrasion indices
- Mineralogy as appropriate
- Geochemical testing of ore and waste rock
- Improved accuracy of survey and contours for detailed design purposes

Goldgroup expects to complete an overall project execution plan to address engineering, procurement, contracting, construction and management of construction, commissioning and ramp-up, mine development, project schedule and critical path items, and progress measurement

Goldgroup anticipates completing the following environmental work:

- Responses to first round of comments on the EIS from SEMARNAT
- Ongoing work related to long-term fauna research and reclamation

Drilling

A total of 145 diamond drill holes were included in the NI 43-101 resource estimate dated February 10, 2012, of which 33 were completed by previous owners of the project and 112 were completed by Goldgroup. An additional 30 drill holes completed by Goldgroup were not included in the NI 43-101 resource estimate, which includes: 19 reverse circulation holes, seven holes drilled outside the La Paila Zone but within the Northern Zone, and four unassayed holes as of the date of the NI 43-101 resource estimate. As a result, to the date of the Caballo Blanco NI 43-101 resource estimate, 142 holes have been drilled at the project by Goldgroup.

Since the date of the NI 43-101 resource estimate, Goldgroup has completed an additional 40 diamond drill holes of infill and expansion drilling in the La Paila Zone.

In 2011, Goldgroup completed 32,345 meters of diamond drilling. The Company intends to complete another 30,000 metre drill program in 2012, targeting (1) expansion of the La Paila Zone to the south, southwest and northeast, (2) at least four other large IP resistivity high anomalies in the Northern Zone, and (3) prospective targets at the Highway zone. The 2012 drill program will utilize up to three HQ diamond drills and reverse circulation drills, designed to expand and to upgrade the current mineral resource.

Permitting

The Environmental Impact Statement ("EIS") was presented to the governing environmental authority in Mexico, Secretaría de Medio Ambiente y Recurso Naturales ("SEMARNAT"), on December 15, 2011. On March 13, 2012, the Company received the first set of comments on the EIS application from SEMARNAT. The comments requested more information on risk mitigation, along with environmental protection and rehabilitation, of several aspects of the proposed mining operations. Goldgroup expects to provide a detailed written response to SEMARNAT to satisfy their queries within the required 60-day response time. Following the receipt of the written response from Goldgroup, SEMARNAT will review the application a second time to determine the status of permitting. This form of federal regulatory response is standard procedure in the environmental permitting process in the majority of established mining jurisdictions, including Mexico.

The timing of the EIS permit approval is expected to be in the third quarter of 2012, however, extensions by SEMARNAT may occur. Based on initial results from the PEA, management estimates the Caballo Blanco project to require approximately nine months of construction time from the date of anticipated approval of the EIS and related permits.

Initiatives in 2012

The Company currently plans to commence production in 2013 and its current mineral resource estimate is expected to be sufficient to sustain up to approximately 100,000 ounces of annual gold production. The following are part of the exploration/development program at Caballo Blanco to achieve this objective:

- Conduct a drill program in 2012 to further define the resources within the La Paila Zone and to test at least four other large IP resistivity high anomalies in the Northern Zone and prospective targets at the Highway Zone, which are located within the Company's mineral concessions.
- Conduct geological mapping and surface geochemical sampling to better define a possible extension of the La Paila mineralization to the north east. Similar geochemical studies are progressing in other areas.
- Conduct further investigative metallurgical test-work to determine optimum conditions for all major types of ore mineralogy and lithology and then apply these results to ongoing column-leach testing at the Company's on-site laboratory using various sized columns. To date, leach tests have indicated high and fast leaching recoveries. The Company has constructed four one metre diameter by six metre high columns to test and verify that, as indicated by the smaller column tests, open pit run-of-mine heap leaching is applicable. Initial test work indicates high recovery in line with the smaller column test results. The underground exploration tunnel has provided sufficient bulk samples with consistent grade intersected, which will refine the overall heap leaching and processing parameters.
- Items identified in the PEA will be addressed as part of the ongoing engineering design and investigations into opportunities to improve the overall implementation and economics of the project.
- Provide a detailed written response to SEMARANT relating to the March 13, 2012 comments received by SEMARNAT on the EIS application.
- Expand its review of targets using satellite Aster imaging over 50,000 hectares and explore a number of identified anomalies.

1.2.3 San José de Gracia Project

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

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

Management has had numerous discussions with DynaResource, Inc. ("DynaUSA"), the other 50% shareholder of DynaMexico, to determine how to proceed with this project. The Company continues to assess available alternatives for the future development of the San José de Gracia project. Until such time as a development strategy and financial plan for the San José de Gracia project can be agreed to with DynaUSA, Goldgroup's financial support to fund further exploration and development activities is currently on hold. Development activities will be limited and the costs of maintaining the project are expected to be nominal. This decision supports the Company's strategy to focus its resources on the development of the Caballo Blanco project.

Status of Project

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

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

On February 15, 2012, DynaUSA announced that it had received the results of a different mineral resource estimate for the San José de Gracia project (the "DynaUSA Estimate"). The DynaUSA Estimate included aggregate indicated mineral resources at Tres Amigos of 892,534 tonnes, with an average grade of 4.46 g/t, totaling 127,921 oz/Au, and at San Pablo of 1,307,509 tonnes, with an average grade of 6.52 g/t, totaling 274,171 oz/Au, and aggregate inferred mineral resources of 3,953,143 tonnes, with an average grade of 5.83 g/t, totaling 740,911 oz/Au. The DynaUSA Estimate includes a higher volume of indicated mineral resources as compared to the mineral resources estimate contained in the technical report released by Goldgroup.

Upon reaching an agreement with DynaUSA, the current mineral resource estimate is expected to be used to support a future preliminary economic assessment for development of the project. The Company is targeting a mineral resource estimate sufficient to sustain and initial production level of 50,000 ounces in its first year of production growing in its second year and onwards up to 100,000 ounces of annual gold production.

1.2.4 Cerro Colorado (Operating Mine)

The Company owns a 100% interest in the Cerro Colorado mine, located in northern Sonora, Mexico. The property consists of six mineral concessions covering the area of the mine and 44 concessions in the immediate vicinity of the mine totalling 33,767 hectares. Gold is produced in doré in Mexico and then shipped to a refiner in the United States for final processing prior to sale. The project is subject to a NSR royalty of 3%. As of March 31, 2012, the remaining life of the in-pit resource at Cerro Colorado mine is currently estimated by Goldgroup to be approximately 15 months. Goldgroup expects that the heap leach operation will continue to produce gold for an extended period of time.

There have been challenges at the mine resulting from uncertainty around the mine plan and the complex ore body. In 2010 and 2011, the grade decreased, the stripping ratio increased and the recoveries fluctuated. Management continues exploration to extend the life of the mine. Future operations are expected to require no additional funding and nominal capital expenditures.

For the year ended December 31, 2011, an impairment charge totalling $8,600,000 was recorded against the Cerro Colorado mine. The impairment was charged proportionately against the carrying value of the mine for $4,650,000 and plant and equipment for $3,950,000.

There is currently no compliant economic analysis for the Cerro Colorado mine and no mineral reserves have been estimated. An updated technical report is currently being prepared and is expected to be filed in the second quarter of 2012.

Status of Operations and Outlook

At the Cerro Colorado gold mine, the Company produced 5,741 ounces of gold during the three months ended March 31, 2012 (2011 – 5,158 ounces).

Upon review of the updated technical report currently being prepared, a moderate level of exploration will be conducted at the mine and surrounding areas with the assistance of Goldgroup’s consulting geologist, Dr. Roger Newell.

In 2012, the Company will focus its efforts at the mining operations by:

- Completing and releasing an updated NI 43-101 technical report with an updated block model
- Conducting exploration drilling outside the current pit limits.
- Reducing costs by making improvements to the plant which are expected to allow us to remove the gold from the carbon faster as well as increasing the numbers of times the carbon can be used before replacing.
- Optimizing the mine by improving haul roads, dumps and pit benches for quick haul times with short hauls where possible.
- Continuing to conduct metallurgical tests of the different ores coming for the mine to improve recoveries on the leach pad.

1.3 Selected Quarterly Information

Three Months Ended March 31, 2012 versus March 31, 2011

(Unaudited - Expressed in 000's)	**Three months ended March 31,**	
	2012	2011
Metal sales	**$9,603**	$6,472
Cost of sales [(a)]	**6,975**	5,283
Depreciation and depletion	**572**	563
Gross margin	**2,056**	626
Other expenses (income):		
Administrative expenses	**1,657**	1,608
Share of equity loss in DynaMexico	**43**	39
Other expenses (income)	**(857)**	815
	843	2,462
Earnings (loss) before income taxes	**1,213**	(1,836)
Provision for income taxes:		
Current	**466**	20
Deferred	**404**	199
Net earnings (loss) for the period	**$343**	$(2,055)
Earnings (loss) per share – basic and diluted	**$0.00**	$(0.02)

(a) Cost of sales excludes depreciation and depletion

Three months ended March 31, 2012 compared to three months ended March 31, 2011

- Overall, the Company recorded net earnings of $342,733 or $0.00 earnings per share for the quarter ended March 31, 2012 compared to a loss of $2,054,781 or $0.02 loss per share for the same period in 2011.

- Gold sales during the first quarter of 2012 were 5,663 ounces at an average gold price of $1,685 per ounce compared to 4,640 ounces at an average gold price of $1,386 per ounce during the comparative period of 2011. During the first quarter of 2012, the Cerro Colorado gold mine produced 5,741 ounces of gold compared to 5,158 during the comparative period of 2011.

- Cost of sales of $6,975,477 represented cash operating costs at the Cerro Colorado gold mine for the first quarter of 2012 or $1,221 per ounce of gold sold, compared to $5,282,724 of cash operating costs for the same period in 2011 or $1,130 per ounce of gold sold. The cash cost per ounce increased during the first quarter of 2012 as a result of the grade being lower with an average of 0.50 g/t Au and the strip ratio increasing by 118% compared to the same period in 2011.

- The mine's gross margin was $2,055,976 for the quarter ended March 31, 2012 compared to $626,446 during the same period of 2011.

- Depreciation and depletion of $571,971 during the three months ended March 31, 2012 resulted primarily from the depreciation and depletion on the Cerro Colorado mine and plant and equipment compared to $562,539 during the same period of 2011. The depletion expense is calculated on a unit-of-production basis.

- Administrative expenses were $1,657,096 for the first quarter ended March 31, 2012 compared to $1,607,569 during the first quarter of 2011. The administrative costs are primarily comprised of accounting and legal costs, investor relations expenses, salaries and consulting fees and share-based compensation for the recognition of part of the fair value of options granted during 2010, 2011 and 2012.

- Other expenses (income) were $(857,323) for the first quarter ended March 31, 2012 compared to $815,292 during the same period in 2011. The 2012 balance relates to exploration at Cerro Colorado offset by a foreign exchange gain and gain on warrants during the quarter. The 2011 balance primarily relates to a derivative loss on warrants and a foreign exchange loss.

- Income tax expense of $466,299 was recorded in the first quarter of 2012 compared to $20,141 during the same period of 2011. The 2012 expense relates to profits at the Cerro Colorado mine. A deferred income tax expense of $404,320 was recorded during the three months ended March 31, 2012 compared to $198,635 during the same period of 2011. The deferred income tax expense in 2012 is primarily a result of the exploration expenditures in the Company's Mexican subsidiaries.

1.4 Planned Exploration and Development Expenditures

As of May 10, 2012, Goldgroup has cash and cash equivalents of approximately $16,000,000. The Company is debt-free and unhedged. The Company currently intends to spend the majority of these funds on the Caballo Blanco project in 2012 as follows:

Caballo Blanco Project	**(000's)**
• Administration and legal	$ 2,000
• Exploration and drilling	4,500
• Underground exploration and sampling	500
• Technical reports, Environmental Impact Statement, permitting	800
• Metallurgical work	500
• Production site preparation and land acquisitions	5,000

1.5 Developments During and Subsequent to the Quarter Ended March 31, 2012

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Effective April 11, 2012, the Company and NGEx Resources Inc. ("NGEx") terminated the 1.5% Net Smelter Return ("NSR") royalty that NGEx held with respect to 70% of gold production, representing a 1.05% NSR on total gold production, from the Caballo Blanco Project for consideration of Cdn$1,000,000 cash and 2,200,000 common shares of Goldgroup. In addition, withholding taxes of approximately $280,000 will be paid by the Company in the second quarter of 2012. There is no longer a C$5,000,000 advance royalty payment due to NGEx within 30 days following the commencement of commercial production of the project. The total NSR on the Caballo Blanco project is now 1.9%.

Changes to the Board of Directors:

- Effective April 10, 2012, the Company announced that Mr. Robert Byford resigned from the Board of Directors of Goldgroup.
- On April 23, 2012, Mr. Lenard F. Boggio agreed to be appointed to the Board of Directors of Goldgroup, effective May 10, 2012. Mr. Boggio has an extensive accounting, financial, auditing and governance background focused on mining, energy and financial services sectors.
- On April 26, 2012, the Company appointed Mr. Chester F. Millar to the Board of Directors of Goldgroup. Mr. Millar is a pioneer of heap leach gold production and of large-scale bulk mining methods and techniques used for mining low-grade gold deposits worldwide.
- Effective April 30, 2012, the Company announced that Dr. Paul L. Zweng resigned from the Board of Directors of Goldgroup and has taken a strategic advisory role as part of Goldgroup's Board of Advisors.

1.6 Gold Market

The price of gold is the largest single factor in determining profitability and cash flow from operations, therefore the financial performance of the Company is expected to be closely linked to the price of gold. The average market price of gold during the three months ended March 31, 2012 was $1,691 per ounce. London P.M. fixings of the gold price during the three month period ranged from a low of $1,598 per ounce on January 3, 2012 to a high of $1,781 per ounce on February 28, 2012. These prices compare with an average of $1,387 and $1,109 per ounce, during the three months ended March 31, 2011 and 2010, respectively. Prices for the three months ended March 31, 2011 ranged from a low of $1,319 per ounce to a high of $1,447 per ounce and 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 $1,685 per ounce on its sales of gold during the first quarter of 2012 compared to an average realized price of $1,387 and $1,112 for the same periods in 2011 and 2010, respectively. The average London P.M. fix for the first quarter of 2012 was $1,691 per ounce compared to $1,386 and $1,109 for 2011 and 2010, respectively.

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.

1.7 Results of Mining Operations

Three Months Ended March 31, 2012 versus March 31, 2011
Cerro Colorado Gold Mine (100% ownership)

Operating Statistics *(Unaudited)*	**Three months ended**				
	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
Ore mined – placed on leach pad (tonnes)	**476,490**	448,391	605,615	608,849	575,970
Waste mined (tonnes)	**1,756,563**	1,563,667	1,273,005	999,016	971,154
Total mined (tonnes)	**2,233,053**	2,012,058	1,878,620	1,607,865	1,547,124
Waste-to-ore-ratio	**3.69**	3.49	2.10	1.64	1.69
Recovery	**66%**	82%	47%	68%	53%
Grade (g/t Au)	**0.50**	0.41	0.58	0.47	0.58
Gold ounces mined	**7,043**	5,954	10,236	8,825	9,338
Gold ounces – produced	**5,741**	4,374	4,783	6,045	5,159
Gold ounces – sold	**5,663**	4,060	4,686	6,478	4,640
Operating Financial Data ***(Unaudited - Expressed in 000's)***					
Metal Sales	**$9,603**	$6,871	$8,052	$9,824	$6,472
Cost of sales[(a)]	**$6,975**	$5,881	$5,379	$7,080	$5,283
Depreciation and depletion	**$572**	$586	$595	$690	$563
Gross margin	**$2,056**	$404	$2,078	$2,054	$626
Net earnings (loss)	**$343**	$(10,455)	$(4,469)	$19	$(2,055)
Basic and diluted earnings (loss) per share	**$0.00**	$(0.09)	$(0.04)	$0.00	$(0.02)
Average realized gold price per ounce sold	**$1,685**	$1,679	$1,698	$1,505	$1,386
Cash cost per ounce sold	**$1,221**	$1,435	$1,127	$1,082	$1,130
Exploration – Cerro Colorado	**$281**	$619	$244	$158	$53
Plant and equipment expenditures at Cerro Colorado	**$112**	$109	$155	$1,590	$1,159

(a) Cost of sales excludes depreciation and depletion.

Three Months Ended March 31, 2012 versus March 31, 2011

- Tonnes mined for the quarter ended March 31, 2012 increased 44% over the same 2011 period, primarily due to better equipment availability allowing more tonnes to be hauled and crushed. In addition, there was a much higher stripping ratio requiring more tonnes to be mined compared to the same period last year.

- Production for the quarter ended March 31, 2012 increased by 13% over the same 2011 period, primarily as a result of increased gold recoveries in the 2012 period offset by lower grades.

- Gold sales for the quarter ended March 31, 2012 were 5,663 ounces at an average realized price of $1,685 per ounce compared to 4,640 ounces sold at an average realized price of $1,386 for the same period in 2011.

- Operating cash costs for the quarter ended March 31, 2012 were $6,975,477 or $1,221 per ounce of gold sold including silver by-product credits of $11 per ounce, compared to $5,282,724 or $1,130 per ounce of gold sold for same period in 2011, before silver by-product credits of $8 per ounce. This represents an increase of $74 per ounce over the first quarter of 2011. The cost per ounce increased due to lower grade of ore placed on the pad and the higher stripping ratio during the first quarter of 2012.

- Exploration costs at Cerro Colorado for the quarter ended March 31, 2012 were $281,309 compared to $52,716 during the same period in 2011. The increase in the 2012 period is a result of increased exploration work at Cerro Colorado, which includes the use of two exploration drills.

1.8 Summary of Quarterly Results

The following selected financial information is derived from financial statements of the Company. The information has been prepared by management in accordance with IFRS and is stated in thousands of US dollars, expect per share amounts. Prior period amounts previously reported in Canadian GAAP are now being reported under IFRS.

(Unaudited)	2012	2011				2010		
	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Revenue	9,603	6,871	8,052	9,824	6,472	6,188	5,317	5,372
Income (loss) from mine operations	2,056	404	2,078	2,054	626	917	(93)	(344)
Net income (loss)	343	(10,455)	(4,469)	19	(2,055)	(3,124)	(6,753)	(2,549)
Basic and diluted earnings (loss) per share	0.00	(0.09)	(0.04)	0.00	(0.02)	(0.03)	(0.07)	(0.04)
Cash and cash equivalents	19,415	23,313	35,802	40,846	44,611	12,654	14,790	1,610
Total assets	111,256	109,254	108,342	108,744	109,161	68,835	67,616	82,600
Non-current financial liabilities	1,162	1,472	1,841	2,456	3,149	2,741	-	-
Cash dividend declared	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

1.9 Liquidity

Goldgroup's cash and cash equivalents decreased by $3,897,886 during the three months ended March 31, 2012 as compared to an increase of $31,957,347 in the same period of 2011. As at March 31, 2012, the ending cash and cash equivalents balance was $19,414,702 (December 31, 2011 - $23,312,588).

Working Capital
As at March 31, 2012, the Company had working capital of $26,778,038 compared to working capital of $30,463,120 as at December 31, 2011.

A summary of the Company's cash position and changes in cash and cash equivalents for three months ended March 31, 2012 and 2011 are provided below:

(Unaudited - Expressed in 000's)	**Three months ended March 31,**	
	2012	2011
Cash consumed by operating activities – gross	**$ 1,387**	$(16)
Changes in non-cash operating working capital	**(296)**	(754)
Cash consumed by operating activities - net	**1,089**	(770)
Cash generated (used) in investing activities	**(4,993)**	(7,045)
Cash provided by (used in) financing activities	**6**	39,772
Increase (decrease) in cash and cash equivalents	**(3,898)**	31,957
Cash and cash equivalents, beginning of period	**23,313**	12,654
Cash and cash equivalents, end of period	**$ 19,415**	$ 44,611

Three Months Ended March 31, 2012 versus March 31, 2011

Operating Activities

Cash generated (used) by operating activities before changes in non-cash operating working capital during the three months ended March 31, 2012 was $1,387,097 compared to $(15,809) during the same period of 2011. The operating cash flow in the quarter ended March 31, 2012 increased compared to the same period of 2011 primarily as a result of the Company generating more profits at Cerro Colorado.

Investing Activities

During the three months ended March 31, 2012, the Company consumed cash of $4,992,755 compared to $7,045,366 in the same period of 2011. During the 2012 period, the Company spent $288,904 on plant and equipment and $4,703,851 on exploration and evaluation properties. The majority of expenditures on plant and equipment relate to two new pick-up trucks and some mining equipment at the Cerro Colorado mine. Exploration and evaluation property expenditures were mainly incurred on the Caballo Blanco gold project where the Company made land acquisition costs of $737,289, incurred expenditures of $3,333,627 on the current drill program, environmental impact study, column leach testing and ground geophysics and $693,874 on development-type costs. Other exploration expenditures of $20,327 were incurred on the Kenya property and the El Candelero property for concession payments.

Financing Activities

During the three months ended March 31, 2012, cash flow generated by financing activities was $5,843 compared to $39,772,333 in the same period in 2011. During the three months ended March 31, 2012, the Company received $5,843 on the exercise of options. 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 $19,414,702 available at March 31, 2012, a decrease of $3,897,886 from the balance at December 31, 2011 of $23,312,588, while working capital decreased by $3,685,081 to $26,778,038 at March 31, 2012 from $30,463,119 at December 31, 2011.

With cash and cash equivalents of $19,414,702 available, the Company is well positioned to conduct exploration and development on the Caballo Blanco gold project and any exploration on its 50% equity interest in the San José de Gracia gold project. The Company anticipates the Cerro Colorado mine to continue to generate positive cash flows over the next 12 months.

The Company will require additional financing to fully develop Caballo Blanco into production. The Company expects to pursue financing once the preliminary economic assessment has been completed, expected in the second quarter of 2012, which will indicate the estimated capital costs for the project.

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.

1.10 Capital Resources

As part of ongoing surface rights land negotiations with local property owners, the Company has entered into surface land purchase agreements whereby it has agreed to pay $465,277 (5,961,280 pesos) by October 25, 2013 and $1,912,225 by October 25, 2016 (24,500,000 pesos) for specific surface rights.

1.11 Off-Balance Sheet Arrangements

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

1.12 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 the Company and include the President and Chief Executive Officer, Executive Chairman, Chief Financial Officer, Vice-President, Exploration, General Manager of Cerro Colorado, General Manager of Caballo Blanco, the Technical Director and non-executive directors of the Company. During the quarter, the General Manager of Caballo Blanco resigned and was replaced by the Vice President, Technical and Projects.

Key Management compensation includes:

(Unaudited - Expressed in 000's)	Three months ended March 31, 2012	2011
Salaries [1]	$ 423	$ 255
Non-executive director fees	26	25
Benefits [1]	16	9
Bonuses [2]	26	13
Options [3]	100	844
	$ 591	$ 1,146

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

At March 31, 2012, receivables include $37,281 (December 31, 2011 - $nil) owing from Uracan and $9,714 (December 31, 2011 - $1,573) 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, 2012, trade and other accounts payable includes $18,562 (December 31, 2011 - $45,503) owing to a director and/or officer and/or companies controlled by the directors.

Due to the particulars of Mexican law, it is common for operating companies to employ their workers through a management company. The employees of Granmin Mexico are employed by Pabelini, S.A. de C.V. ("Pabelini"), a company owned by the former spouse of Goldgroup's CEO. Under a renewed agreement, dated June 1 ,2011 and expiring May 31, 2014, between Granmin Mexico and Pabelini, Pabelini pays all of the Cerro Colorado mine employees and Granmin Mexico administrative personnel and is reimbursed by Granmin Mexico. Pabelini charges a fee equal to 5% of the base salaries of the employees, before additions for statutory remittances. This fee in the amount of $35,547 (March 31, 2011 - $35,673) is meant to reimburse Pabelini for its office costs and administrative overhead costs incurred in managing the payroll and making all required remittances to the Mexican government in association with salaries of such employees. As at March 31, 2012, amounts owing from (to) Pabelini totalled $(2,059) (December 31, 2011 - $17,894).

In addition to Pabelini, a number of expatriate workers and Caballo Blanco employees, including the Company's CEO, are employed by MINOP, S.A. de C.V. ("Minop"). Minop is a private company controlled by the former step-son of the CEO. Under a renewed agreement, dated October 1, 2011 and expiring September 30, 2014, Minop charges a service fee equal to 1.5% of base salary for employees earning greater than $100,000 per year and 3% for employees earning less than $100,000 base salary per year. The fee in the amount of $23,764 (March 31, 2011 - $9,058) is meant to reimburse Minop for administrative costs incurred by the company in providing these services. As at March 31, 2012, amounts owing from (to) Minop totalled $(32,180) (December 31, 2011 - $24,216).

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

1.13 Proposed Transactions

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

1.14 Critical Accounting Estimates

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

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

(i) Mineral Reserves

Proven and probable mineral reserves are the economically mineable parts of the Company's measured and indicated mineral resources demonstrated by at least a preliminary feasibility study. The Company estimates its proven and probable reserves and measured and indicated and inferred mineral resources based on information compiled by appropriately qualified persons. Qualified persons are defined in accordance with Canadian Securities Administrators National Instrument 43-101. The information relating to the geological data on the size, depth and shape of the ore body requires complex geological judgments to interpret the data. The estimation of future cash flows related to proven and probable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the proven and probable reserves or measured and indicated and inferred mineral resources estimates may impact the carrying value of exploration and evaluation properties, plant and equipment, goodwill, decommissioning and restoration provision, recognition of deferred tax amounts and depreciation and depletion.

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

(ii) Purchase Price Allocation

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

Plants and other facilities used directly in mining activities are depreciated using the units-of-production ("UOP") method over a period not to exceed the estimated life of the ore body based on recoverable ounces to be mined from proven and probable mineral 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 mineral reserves.

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

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

(iv) Impairment of goodwill and other assets

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

(v) Inventories

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

Costs are attributed to the leach pads based on current mining costs, including applicable depreciation, 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 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, mineral resources and mineral reserves estimates, gold and silver prices, and the ultimate estimated recovery for ore on leach pads. There can be no assurance that actual results will not differ significantly from estimates used in the determination of the carrying value of inventories.

(vi) Decommissioning and restoration provision

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

(vii) Deferred taxes

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

(viii) Share-based compensation payments

Share-based 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.

1.15 Changes in Accounting Policies

Accounting standards effective in 2013 and 2015 are disclosed in the Company's consolidated financial statements for the year ended December 31, 2011.

Accounting Standards Issued and Effective January 1, 2015

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.

Accounting Standards Issued and Effective January 1, 2013

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).

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, effective for annual periods beginning on or after January 1, 2013, clarifies the requirements for accounting for the costs of stripping activity in the production phase when two benefits accrue: (i) usable ore that can be used to produce inventory; and (ii) improved access to further quantities of material that will be mined in future periods.

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

1.16 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 19, "Risk Management" to the Condensed Interim Consolidated Financial Statements for three months ended March 31, 2012 and its approach to the "Management of Capital" described in note 21 to the Consolidated Financial Statements for year ended December 31, 2011.

1.17 Basis of Preparation

The Company has prepared its condensed interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). IFRS represents standards and interpretations approved by the International Accounting Standards Board ("IASB"), and are comprised of IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") or the former Standing Interpretations Committee ("SICs"). The Company's significant accounting policies are described in note 3 of the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2011 and 2010.

1.18 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 AIF is available on the SEDAR website at www.sedar.com and on the Company's website at www.goldgroupmining.com.

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

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

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

1.18.1 Disclosure of Outstanding Share Data

Goldgroup's authorized capital stock consists of an unlimited number of common shares without par value. As at May 10, 2012, there were 130,726,049 common shares issued and outstanding.

As at May 10, 2012, the Company also had the following options and warrants issued and outstanding:
- 11,540,348 common share options with a weighted average exercise price of C$1.04 expiring at various dates to March 26, 2017.
- 2,000,000 common share warrants with an exercise price of C$1.25 expiring on November 26, 2015.

1.18.2 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, 2012 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

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.

1.18.3 Disclosure Controls and Procedures

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

1.18.4 Non-IFRS Financial Measures

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

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

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

Cash Costs – January 1st to March 31st, 2012 and 2011

(Unaudited)	**Three months ended March 31,**	
	2012	2011
Cost of sales (excluding accretion, depreciation, depletion and amortization)	**$ 6,975,577**	$ 5,282,724
Silver by-product credit	**(63,337)**	(37,872)
	$ 6,912,240	$ 5,244,852
Gold ounces sold	**5,663**	4,640
Total cash costs ($/oz. sold)	**$ 1,221**	$1,130
Breakdown of cost per ounce sold		
Direct operating costs	**$ 1,185**	$1,101
3.0% NSR Royalty	**47**	38
Less: silver by-product credits	**(11)**	(8)
Total cash costs ($/oz. sold)	**$ 1,221**	$1,130

1.18.5 Investor Relations Activities

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

During 2010, the Company entered into a 12-month consulting contract with Michael Baybak & Company Inc. for investor relations services whereby the Company paid $5,000 per month and issued 200,000 stock options at an exercise price of C$1.00 per share. The Michael Baybak and Company agreement expired on May 31, 2011 and was not renewed. On May 7, 2010 Company entered into a 12-month contract with San Diego Torrey Hills Capital Inc. for investor relations 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 and was renewed on a monthly basis. On September 30, 2010 the Company entered into a consulting contract with Vantage Communications Ltd. for investor relations services for 12 months whereby the Company paid a one-time payment of C$23,000 and issued 125,000 stock options at an exercise price of C$1.00 per share. This contract expired on September 29, 2011 and was not renewed. On November 9, 2010 the Company entered into a six-month consulting services contract with RK Equity Capital Markets, LLC for European investor relation services whereby the Company paid $5,000 per month and issued 150,000 stock options at an exercise price of C$1.00 per share. The RK Equity agreement expired on April 30th, 2011 and was not renewed.

1.18.6 Risks and Uncertainties

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

An investment in the securities of the Company should be considered speculative due, generally, to the nature of the business in which the Company is engaged, the limited extent of the Company's assets, the Company's state of development and the degree of its reliance upon the expertise of management.
Goldgroup's expected operating costs and expenditures, economic returns and other projections from a mining project which are contained in this document and in any technical reports or other studies prepared for or by Goldgroup are based on assumed or estimated future metals prices, cut-off grades, operating costs, capital costs, and expenditures and other factors that each may prove to be inaccurate. Therefore, such studies and reports may prove to be unreliable.

For example, significant declines in market prices for base and precious metals or extended periods of inflation would have an adverse effect on any economic projections. In addition, any material reductions in estimates of mineralization or increases in capital costs and expenditures, or in Goldgroup's ability to maintain a projected budget or renew a particular mining permit, could also have a material adverse effect on projected production schedules and economic returns, as well as on Goldgroup's overall results of operations or financial condition. There is also a risk that rising costs for labour and material could have an adverse impact on forecasted construction costs and that shortages of labour and material could have a negative impact on any mine development schedule.

Goldgroup's operating costs are affected by the cost of commodities and goods such as steel, fuel, electrical power and supplies, including tires and reagents. Management of Goldgroup prepares its cost and production guidance and other forecasts based on its review of current and estimated future costs, and management assumes that the materials and supplies required for operations will be available for purchase. An increase in any of these costs, or a lack of availability of commodities and goods, may have an adverse impact on Goldgroup's financial condition.

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

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

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

- uncertainties related to actual capital costs, operating costs and expenditures, production schedules and economic returns from Goldgroup’s projects;
- uncertainties associated with development activities;
- uncertainties inherent in the estimation of mineral resources and precious metal recoveries;
- risks related to the continued operation of the Cerro Colorado mine without a current economic analysis;
- risks related to the planned expansion of the Cerro Colorado mine;
- uncertainties related to current global economic conditions;
- fluctuations in precious and base metal prices;
- uncertainties related to the availability of future financing;
- potential difficulties with joint venture partners;
- risks that Goldgroup’s title to its property could be challenged;
- political and country risk;
- risks associated with Goldgroup being subject to government regulation;
- risks associated with surface rights;
- environmental risks;
- Goldgroup’s need to attract and retain qualified personnel;
- risks associated with operating hazards at the Cerro Colorado Mine;
- risks associated with potential conflicts of interest;
- Goldgroup’s lack of experience in overseeing the construction of a mining project;
- risks related to the integration of businesses and assets acquired by Goldgroup;
- uncertainties related to the competitiveness of the mining industry;
- risk associated with theft;
- risk of water shortages and risks associated with competition for water;
- uninsured risks and inadequate insurance coverage;
- risks associated with potential legal proceedings;
- risks associated with community relations;
- outside contractor risks;
- risks related to archaeological sites;
- foreign currency risks;
- risks associated with security and human rights; and
- risks related to the need for reclamation activities on Goldgroup’s properties.

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

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

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

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

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