



GOLDGROUP MINING INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

(Unaudited)

(Expressed in Thousands of United States Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that these condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

GOLDGROUP MINING INC.

Interim Consolidated Statements of Financial Position

March 31, 2013 and December 31, 2012

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

	Note	March 31, 2013	December 31, 2012
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 5,709	\$ 8,488
Investments	5	651	-
Receivables	6	5,092	4,889
Inventories	7	5,514	5,111
Prepays and deposits		496	368
Total current assets		<u>17,462</u>	<u>18,856</u>
Non-current assets			
Plant and equipment	8	2,915	3,529
Intangible asset	8	559	612
Investment in DynaResource de Mexico SA de CV	9	18,045	17,938
Exploration and evaluation properties	10	64,096	63,388
Total non-current assets		<u>85,615</u>	<u>85,467</u>
Total assets		<u>\$ 103,077</u>	<u>\$ 104,323</u>
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other accounts payable	12	\$ 4,366	\$ 4,426
Taxes payable		115	109
Total current liabilities		<u>4,481</u>	<u>4,535</u>
Non-current liabilities			
Decommissioning and restoration provision	13	878	855
Warrant liability	14	33	90
Deferred tax liability		6,482	6,377
Total liabilities		<u>11,874</u>	<u>11,857</u>
Equity			
Share capital	15	128,011	128,011
Share option reserve	15	7,299	7,279
Contingent share consideration	15	3,305	3,305
Translation reserve		(355)	(355)
Investment revaluation reserve		(295)	-
Deficit		(46,762)	(45,774)
Total equity		<u>91,203</u>	<u>92,466</u>
Total equity and liabilities		<u>\$ 103,077</u>	<u>\$ 104,323</u>

Commitments 21

Approved by the Board of Directors:

/s/ Hans von Michaelis

Director

/s/ Lenard Boggio

Director

The accompanying notes are an integral part of these consolidated financial statements

GOLDGROUP MINING INC.**Interim Consolidated Statements of Loss and Comprehensive Loss****March 31, 2013 and 2012***(Unaudited - Expressed in thousands of United States dollars except per share amounts)*

	Note	Three Months Ended March 31,	
		2013	2012
Revenue			
Gold sales		\$ 7,793	\$ 9,540
Silver sales		149	63
		<u>7,942</u>	<u>9,603</u>
Costs and expenses of mining operations			
Cost of sales	17	6,202	6,975
Depreciation and depletion		551	572
		<u>6,753</u>	<u>7,547</u>
Gross profit		<u>1,189</u>	<u>2,056</u>
Other expenses (income)			
Administrative expenses	18	1,383	1,657
Share of equity loss in DynaMexico	9	13	43
Write-off of fixed assets	8	41	-
Other (income) expenses	19	167	(857)
		<u>1,604</u>	<u>843</u>
(Loss) income before income taxes		(415)	1,213
Provision for income taxes:			
Current		463	466
Deferred		110	404
(Loss) income for the period		<u>\$ (988)</u>	<u>\$ 343</u>
Other comprehensive loss			
Items that may be reclassified subsequently to net (loss) earnings			
Mark-to-market loss on available-for-sale securities	5	\$ 295	\$ -
Total Comprehensive (loss) income for the period		<u>\$ (1,283)</u>	<u>\$ 343</u>
Basic and diluted (loss) earnings per share		<u>\$ (0.01)</u>	<u>\$ 0.00</u>
Basic weighted average shares outstanding (000's)		<u>130,937</u>	<u>128,525</u>

The accompanying notes are an integral part of these consolidated financial statements

GOLDGROUP MINING INC.
Interim Consolidated Statements of Cash Flows
March 31, 2013 and 2012

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

	Note	Three Months Ended March 31,	
		2013	2012
CASH AND CASH EQUIVALENTS DERIVED FROM (USED IN)			
OPERATING ACTIVITIES			
(Loss) income for the period		\$ (988)	\$ 343
Items not involving cash:			
Deferred tax provision		110	404
Depreciation and depletion		610	581
Write-off of fixed assets		41	-
Unrealized foreign exchange gain		(12)	(27)
Share-based compensation expense	15	20	332
Financing costs	19	23	21
Gain on warrants	14	(19)	(310)
Share of loss of DynaMexico	9	13	43
		(202)	1,387
Changes in non-cash working capital items	24	(1,144)	(298)
		(1,346)	1,089
FINANCING ACTIVITIES			
Issuance of shares, net of issue costs	15	-	6
		-	6
INVESTING ACTIVITIES			
Purchase of plant and equipment	8	(10)	(289)
Investment in Oroco Resources Corp.	5	(977)	-
Investment in DynaMexico	9	(120)	-
Exploration and evaluation properties	10	(326)	(4,704)
		(1,433)	(4,993)
(Decrease) increase in cash and cash equivalents		(2,779)	(3,898)
Cash and cash equivalents, beginning of period		8,488	23,313
Cash and cash equivalents, end of period		\$ 5,709	\$ 19,415
Cash and cash equivalents is comprised of:			
Cash		\$ 5,687	\$ 12,008
Short-term deposits		22	7,407
		\$ 5,709	\$ 19,415
Supplemental Cash Flow Information	24		

The accompanying notes are an integral part of these consolidated financial statements

GOLDGROUP MINING INC.

Interim Consolidated Statements of Changes in Equity

March 31, 2013 and 2012

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

	<u>Common Shares</u>		<u>Share Option Reserve</u>	<u>Contingent Share Consideration</u>	<u>Translation Reserve</u>	<u>Investment Revaluation Reserve</u>	<u>Deficit</u>	<u>Total Equity</u>
	<u>Number (000's)</u>	<u>Amount</u>						
January 1, 2013	130,937	128,011	7,279	3,305	(355)	-	(45,774)	92,466
Share-based compensation	-	-	20	-	-	-	-	20
Loss for the period	-	-	-	-	-	-	(988)	(988)
Other comprehensive loss	-	-	-	-	-	(295)	-	(295)
March 31, 2013	<u>130,937</u>	<u>\$ 128,011</u>	<u>\$ 7,299</u>	<u>\$ 3,305</u>	<u>\$ (355)</u>	<u>\$ (295)</u>	<u>\$ (46,762)</u>	<u>\$ 91,203</u>

	<u>Common Shares</u>		<u>Share Option Reserve</u>	<u>Contingent Share Consideration</u>	<u>Translation Reserve</u>	<u>Investment Revaluation Reserve</u>	<u>Deficit</u>	<u>Total Equity</u>
	<u>Number (000's)</u>	<u>Amount</u>						
January 1, 2012	128,517	125,998	6,716	3,305	(355)	-	(35,766)	99,898
Options	9	6	-	-	-	-	-	6
Transfer value on option	-	4	(4)	-	-	-	-	-
Share-based compensation	-	-	332	-	-	-	-	332
Loss for the	-	-	-	-	-	-	343	343
March 31, 2012	<u>128,526</u>	<u>\$ 126,008</u>	<u>\$ 7,044</u>	<u>\$ 3,305</u>	<u>\$ (355)</u>	<u>\$ -</u>	<u>\$ (35,423)</u>	<u>\$ 100,579</u>

The accompanying notes are an integral part of these consolidated financial statements

GOLDGROUP MINING INC.

Notes to the Consolidated Financial Statements

March 31, 2013 and 2012

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

1. NATURE OF OPERATIONS

Goldgroup Mining Inc. is the parent company of its consolidated group ("Goldgroup" or the "Company"). Goldgroup was incorporated in Quebec under the *Business Corporations Act* (Québec) and on July 28, 2011 it was continued under the *Business Corporations Act* (British Columbia). Its head office is located at Suite 818 – 475 Howe Street, Vancouver BC, V6C 2B3. Goldgroup, formerly Sierra Minerals Inc. ("Sierra"), together with its subsidiaries, 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. Goldgroup owns and operates the Cerro Colorado mine in Sonora, along with a property portfolio that includes a 100% interest in the Caballo Blanco gold project in Veracruz and a 50% interest in DynaResource de Mexico, S.A. de C.V., which owns 100% of San José de Gracia gold project in the state of Sinaloa. The Company is listed on the Toronto Stock Exchange ("TSX") under the symbol "GGA".

2. BASIS OF PRESENTATION

These unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted and these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2012.

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its unaudited condensed consolidated financial statements. In addition, the preparation of the financial data requires that the Company's management make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Company's unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in note 2 to the Company's consolidated financial statements for the year ended December 31, 2012.

The Company's interim results are not necessarily indicative of its results for a full year.

These unaudited condensed consolidated financial statements were approved for issue by the Board of Directors on May 13, 2013.

GOLDGROUP MINING INC.

Notes to the Consolidated Financial Statements

March 31, 2013 and 2012

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

3. SIGNIFICANT ACCOUNTING POLICIES

Refer to the audited consolidated financial statements for the year ended December 31, 2012 and 2011 for a summary of significant accounting policies.

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

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

Effective from January 1, 2013, IFRS 10 – *Consolidated Financial Statements* (“IFRS 10”) supersedes SIC 12 – *Consolidation – Special Purpose Entities* and the requirements relating to consolidated financial statements in IAS 27 – *Consolidated and Separate Financial Statements*. Concurrent with the issuance of IFRS 10, the IASB issued IFRS 11 – *Joint Arrangements* (“IFRS 11”) and IFRS 12 – *Disclosure of Interests in Other Entities* (“IFRS 12”) and reissued IAS 27 – *Separate Financial Statements* and IAS 28 – *Investments in Associates and Joint Ventures*.

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*. The Company has applied IFRS 13 on a prospective basis, commencing January 1, 2013.

GOLDGROUP MINING INC.

Notes to the Consolidated Financial Statements

March 31, 2013 and 2012

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IAS 1 *Presentation of Financial Statements* ("IAS 1") requires an entity to group items presented in the statement of other comprehensive income on the basis of whether they may be reclassified to profit or loss subsequent to initial recognition. For those items presented before tax, the amendments to IAS 1 also require that the tax related to the two separate groups be presented separately. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012, with earlier application permitted.

IAS 19 *Employee Benefits* ("IAS 19") amended the standard to include changes made to the date of recognition of liabilities for termination benefits, and changes to the definitions of short-term employee benefits and other long-term employee benefits which may impact on the classification of liabilities associated with those benefits. The amendments to IAS 19 did not have a significant impact on the Company's consolidated financial statements.

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 application of IFRIC 20 did not result in an adjustment to the Company's unaudited condensed interim consolidated financial statements.

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

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and does not expect any of these standards to have an impact on its consolidated financial statements except as noted below.

Accounting Standards Issued 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.

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

GOLDGROUP MINING INC.
Notes to the Consolidated Financial Statements
March 31, 2013 and 2012

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

4. CASH AND CASH EQUIVALENTS

	March 31, 2013	December 31, 2012
Cash at the bank and on hand		
US dollar	\$ 4,386	\$ 5,362
Canadian dollar	863	66
Mexican pesos	438	3,038
Short term deposits - Canadian dollar	22	22
	<u>\$ 5,709</u>	<u>\$ 8,488</u>

5. INVESTMENTS

At March 31, 2013, the Company held the following:

	Quantity (000's)	Fair Value
Oroco Resource Corp. ("Oroco") common shares ^(a&b)	5,000	\$ 590
Oroco share purchase warrants ^(a&c)	5,000	61
		<u>\$ 651</u>

- a) On February 5, 2013 the Company acquired 5,000,000 units in Oroco at a price of CDN\$0.20 per unit by way of private placement, with each unit being comprised of one common share and one non-transferable share purchase warrant. Each warrant entitles the Issuer to purchase one common share of Oroco for a period of two years for CDN\$0.25 (See Note 10.2). The total purchase price paid for the Oroco units was \$978 (CDN\$1,000,000). On February 5, 2013 the fair value allocated to the common shares was \$880 and the fair value allocated to the warrants was \$98.
- b) The Company has designated its common shares of Oroco as available-for-sale financial assets and accordingly, changes in fair value are recorded in other comprehensive (income) loss in the period in the period in which they occur. An unrealized loss of \$295 (2012 - \$nil) was recorded for the quarter ended March 31, 2013.
- c) The Oroco warrants are considered to be derivative financial instruments and are measured each period end at fair value through profit and loss. A derivative loss of \$37 (2012 - \$nil) was recorded during the quarter ended March 31, 2013.

6. RECEIVABLES

	March 31, 2013	December 31, 2012
Financial assets		
Receivables	\$ 24	\$ 78
Employee receivables	8	11
	32	89
Non-financial assets		
Value-added tax receivable	3,872	3,425
Corporate tax receivable	1,188	1,375
	<u>\$ 5,092</u>	<u>\$ 4,889</u>

GOLDGROUP MINING INC.
Notes to the Consolidated Financial Statements
March 31, 2013 and 2012

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

7. INVENTORIES

Inventories consist of the following:

	March 31, 2013	December 31, 2012
Doré	\$ 622	\$ 118
Gold-in-process	2,759	2,783
Consumable supplies	2,133	2,210
	\$ 5,514	\$ 5,111

Cost of sales represents the amount of product inventory recognized as an expense. All of the Company's inventories on hand are located at the Cerro Colorado mine in Mexico.

During the year ended December 31, 2012 the Company recorded an impairment of \$810 with a corresponding entry to cost of sales.

8. PLANT AND EQUIPMENT AND INTANGIBLE ASSET

	Plant and mining equipment	Machinery and equipment	Office equipment	Vehicles	Lab equipment	Total
Cost						
Balance , January 1, 2013	\$ 9,139	\$ 1,294	\$ 381	\$ 909	\$ 61	\$ 11,784
Additions	-	-	10	-	-	10
Write-off of fixed assets	-	-	(147)	-	-	(147)
Balance, March 31, 2013	<u>9,139</u>	<u>1,294</u>	<u>244</u>	<u>909</u>	<u>61</u>	<u>11,647</u>
Accumulated depreciation						
Balance, January 1, 2013	6,187	988	281	739	60	8,255
Depreciation for the period	487	43	10	42	1	583
Write-off of fixed assets	-	-	(106)	-	-	(106)
Balance, March 31, 2013	<u>6,674</u>	<u>1,031</u>	<u>185</u>	<u>781</u>	<u>61</u>	<u>8,732</u>
Net book value	<u>\$ 2,465</u>	<u>\$ 263</u>	<u>\$ 59</u>	<u>\$ 128</u>	<u>\$ -</u>	<u>\$ 2,915</u>

The intangible asset relates to an Enterprise Resource Planning ("ERP") software implementation that occurred in 2012. The total cost of the software was \$665 and the accumulated amortization recorded during the period was \$53 (March 31, 2012 - \$nil). The net book value as of March 31, 2013 was \$559 (December 31, 2012 - \$612).

GOLDGROUP MINING INC.
Notes to the Consolidated Financial Statements
March 31, 2013 and 2012

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

8. PLANT AND EQUIPMENT AND INTANGIBLE ASSET (CONTINUED)

	Plant and mining equipment	Machinery and equipment	Office equipment	Vehicles	Lab equipment	Total
Cost						
Balance , January 1, 2012	\$ 7,849	\$ 1,246	\$ 344	\$ 840	\$ 61	\$ 10,340
Additions	1,290	48	37	91	-	1,466
Write-off of equipment	-	-	-	(22)	-	(22)
Balance, December 31, 2012	9,139	1,294	381	909	61	11,784
Accumulated depreciation						
Balance, January 1, 2012	5,185	854	230	581	34	6,884
Depreciation for the year	1,002	134	51	173	26	1,386
Write-off of equipment	-	-	-	(15)	-	(15)
Balance, December 31, 2012	6,187	988	281	739	60	8,255
Net book value	\$ 2,952	\$ 306	\$ 100	\$ 170	\$ 1	\$ 3,529

9. INVESTMENT IN DYNARESOURCE de MEXICO SA de CV (“DynaMexico”)

The Company has a 50% equity interest in DynaMexico which owns 100% of the high-grade gold exploration project, San José de Gracia located in the state of Sinaloa.

The San Jose de Gracia property (“SJG”) 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.

The other 50% equity holder of DynaMexico is DynaResource, Inc. (“DynaUSA”). DynaUSA provides management and accounting services based on 2.5% of the cash expenditures incurred by DynaMexico.

As a result of the Company qualifying to earn its 50% equity interest on March 14, 2011, the board of directors of DynaMexico is to be expanded to be comprised of 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.

GOLDGROUP MINING INC.
Notes to the Consolidated Financial Statements
March 31, 2013 and 2012

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

9. INVESTMENT IN DYNARESOURCE de MEXICO SA de CV (“DynaMexico”)

The investment in DynaMexico is accounted for using the equity method and is comprised of:

	Three Months Ended March 31, 2013	Year Ended December 31, 2012
Investment, beginning of period	\$ 17,938	\$ 18,099
Funds invested	120	19
Share of loss	(13)	(180)
Investment, end of period	<u>\$ 18,045</u>	<u>\$ 17,938</u>

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

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

GOLDGROUP MINING INC.
Notes to the Consolidated Financial Statements
March 31, 2013 and 2012

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

10. EXPLORATION AND EVALUATION PROPERTIES

The following table summarizes the capitalized costs associated with the Company's exploration and evaluation properties:

	<u>Caballo Blanco</u>	<u>Cerro Prieto</u>	<u>Other</u>	<u>Total</u>
January 1, 2013	\$ 63,388	-	-	\$ 63,388
Acquisition Costs	-	-	-	-
Exploration Costs				
Depreciation	26	-	-	26
Exploration	392	208	-	600
Fees and taxes	82	-	-	82
March 31, 2013	<u>63,888</u>	<u>208</u>	<u>-</u>	<u>64,096</u>
January 1, 2012	\$ 50,232	\$ -	\$ 816	\$ 51,048
Acquisition Costs	737	-	-	737
Exploration Costs				
Depreciation	44	-	1	45
Drilling	2,058	-	-	2,058
Exploration	1,140	-	1	1,141
Fees and taxes	136	-	20	156
Development costs	694	-	-	694
March 31, 2012	<u>55,041</u>	<u>-</u>	<u>838</u>	<u>55,879</u>

The Company is required to pay taxes to maintain all Mexican concessions and to incur a minimum amount of expenditures. The minimum expenditure amount is based on land area and the age of concession. Expenditures in excess of the required minimum may be carried forward over the life of the concession.

10.1 Caballo Blanco

The Company owns 100% of the Caballo Blanco project which consists of 14 mineral concessions covering 54,732 hectares, 65 kilometres north northwest of Veracruz, Mexico.

On October 14, 2011 the Company acquired the remaining 30% joint venture interest in the Caballo Blanco project held previously by Almaden Minerals Ltd. ("Almaden"). The total consideration paid, including contingent share consideration that may be paid, by the Company to Almaden in connection with this transaction consisted of:

- \$2,500 in cash (paid)
- 7 million Goldgroup Mining common shares (issued)
- A requirement to issue up to an additional 7 million Goldgroup Mining's common shares upon the achievement of certain project milestones:
 - 1 million common shares upon commencement of commercial production

GOLDGROUP MINING INC.

Notes to the Consolidated Financial Statements

March 31, 2013 and 2012

(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

10. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

- 2 million common shares upon measured and indicated resources, including cumulative production, reaching 2 million ounces of gold
- 2 million common shares upon measured, indicated and inferred resources, including cumulative production, reaching 5 million ounces of gold
- 2 million common shares upon measured, indicated and inferred resources, including cumulative production, reaching 10 million ounces of gold
- A 1.5% NSR royalty
- Transfer of the Company's 40% interest in the El Cobre property (Note 9.2(iv)) (transferred)

Effective April 11, 2012, the Company and 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 2.2 million common shares of Goldgroup. In addition, withholding taxes of \$277 was paid by the Company in the second quarter of 2012. There is no longer a CDN\$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%.

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 \$483 (5,961,000 pesos) by October 25, 2013 and \$1,985 (24,500,000 pesos) by October 25, 2016 for specific surface rights.

10.2 Cerro Prieto

On January 28, 2013 Goldgroup entered into a binding agreement with Oroco Resource Corp. (“Oroco”) whereby Goldgroup will acquire a 100% interest in Oroco’s Cerro Prieto Project (the “Cerro Prieto Project”) in Sonora State, Mexico for an initial cash payment of \$4,500, CDN\$1,000,000 private placement of units in Oroco and up to an additional \$13,500 in payments made from future gold produced at the Project, subject to receipt of regulatory and Oroco shareholder approvals. On April 10, 2013 Goldgroup and Oroco signed a formal purchase agreement. The terms of the agreement are as follows:

- i) on the closing, Goldgroup will pay Oroco \$4,500 in cash;
- ii) Goldgroup will subscribe for and purchase 5,000,000 units in Oroco at a price of CDN\$0.20 per unit by way of private placement, with each unit being comprised of one common share and one non-transferable share purchase warrant. Each warrant shall entitle the Issuer to purchase one common share of Oroco for a period of two years for CDN\$0.25. On February 5, 2013 the Company completed the purchase of five million units in Oroco Resource Corp;
- ii) Oroco will be entitled to receive up to an additional \$13,500 through cash payments equal to one-hundred and fifty dollars for each of the first ninety thousand ounces of gold produced from the Cerro Prieto Project paid quarterly and payments commencing no later than one year after closing of the transaction;

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10. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

- iv) Goldgroup agrees to pay minimum payments of \$625 per quarter unless the Project is not in production by January 1, 2014 in which case the first two minimum quarterly payments of 2014 will be \$250, the third minimum payment will be \$625 and the fourth payment will be the balance of \$2,500, less the three quarterly payments made. Note that the Company has not made a production decision and is not in a position to determine when mining may occur at the Cerro Prieto and gives no assurances in that regard;
- v) Minimum payment obligations shall be suspended during any periods when there have been no mining activities on the properties for three months;
- vi) Closing of the transaction is subject, but not limited to, the receipt of all required regulatory approvals as well as special resolution approval of Oroco shareholders; and
- vii) Oroco will pay Goldgroup a break fee of \$500 if the transaction is not completed by June 30, 2013. In addition, in the event that a break fee is payable, Oroco shall reimburse the Company for certain work expenditures which have been approved in advance.

10.3 Other Properties

i) El Candelero

The Company was earning up to a 70% interest on the El Candelero project which consists of 8 mineral concession claims covering 26,676 hectares that are located on the border of the states of Sinaloa and Durango, approximately 130 kilometres northeast of Mazatlan in central west Mexico.

During the fourth quarter of 2012 management decided that it was not going to continue exploration on this property. Accordingly, exploration costs of \$489 were written off in the period.

ii) El Cajon

The Company owned a 100% interest in three concession groups with Minera MasOro S.A. de C.V. ("MasOro") located within the Cerro Colorado Gold Mine district. MasOro retained a 2.5% NSR royalty on the entire concession group of which the Company could purchase back up to 1.5% for \$500 per 0.5% NSR. In order to maintain these concessions in good standing, the Company had to make an annual payment of \$25 on November 1st of each year.

During the third quarter of 2012 management decided that it was not going to continue exploration on this property. Accordingly, exploration costs of \$435 were written off in the period.

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11. MINE PROPERTIES

The Company owns a 100% interest in the Cerro Colorado mine, located in northern Sonora, Mexico. The property consists of six mineral concessions totalling 197 hectares, 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. As of March 31, 2013, the remaining life of the Cerro Colorado mine is estimated to be approximately three months.

For the year ended December 31, 2012, an impairment charge totalling \$1,576 was recorded against the Cerro Colorado mine. The impairment was charged against the carrying value of the mine for \$1,576.

The project became subject to a NSR royalty of 3% when cumulative production exceeded 100,000 ounces, which occurred on May 25, 2010. The following table summarizes the capitalized costs associated with the Cerro Colorado mine:

	Three Months ended March 31, 2013	Year ended December 31, 2012
Costs		
Balance, beginning of period	\$ 15,811	\$ 15,811
Balance, end of period	15,811	15,811
Accumulated depletion		
Balance, beginning of period	(15,811)	(12,211)
Depletion for period	-	(2,024)
Impairment	-	(1,576)
Balance, end of period	(15,811)	(15,811)
	<u>\$ -</u>	<u>\$ -</u>

12. TRADE AND OTHER ACCOUNTS PAYABLE

	March 31, 2013	December 31, 2012
Financial liabilities		
Trade payables	\$ 3,788	\$ 4,180
Employee payables	79	238
Payroll accruals	499	8
	<u>\$ 4,366</u>	<u>\$ 4,426</u>

The financial liabilities are non-interest bearing and are normally settled within 45 days.

GOLDGROUP MINING INC.**Notes to the Consolidated Financial Statements****March 31, 2013 and 2012***(Unaudited - Expressed in thousands of United States dollars, except per share amounts)*

13. DECOMMISSIONING AND RESTORATION PROVISION

The Company's estimates of future decommissioning and restoration for reclamation and closure costs for its mines are based on reclamation standards that meet Mexican regulatory requirements. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements, reclamation plans and cost estimates, discount rates and timing of expected expenditures.

The undiscounted amount of estimated cash flows required to settle the decommissioning and reclamation costs is estimated at \$950. The key assumptions on which this estimate was based on are:

- (i) Expected timing of the cash flows is based on the estimated useful life of the Cerro Colorado mine to the extent of currently known proven and probable mineral reserves. The majority of the expenditures are expected to occur in 2014.
- (ii) The discount rate used is 8.6% and the country rate risk is 2.4%.

The discounted liability for the decommissioning and restoration provision is as follows:

	March 31, 2013	December 31, 2012
Opening	\$ 855	\$ 770
Accretion expense	23	85
	<u>\$ 878</u>	<u>\$ 855</u>

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14. WARRANT LIABILITY

The following warrants were outstanding:

	<u>Warrants</u>	<u>Weighted average exercise price (C\$)</u>	<u>Warrant liability (US\$)</u>
Balance, January 1, 2012	2,000,000	\$ 1.25	\$ 90
Change in fair value	-	-	(57)
Balance, March 31, 2013	<u>2,000,000</u>	<u>\$ 1.25</u>	<u>\$ 33</u>
Balance, January 1, 2012	2,000,000	\$ 1.25	\$ 1,472
Change in fair value	-	-	(1,382)
Balance, December 31, 2012	<u>2,000,000</u>	<u>\$ 1.25</u>	<u>\$ 90</u>

<u>Expiry Date</u>	<u>Number of Warrants</u>	<u>Weighted average exercise price (C\$/warrant)</u>
November 26, 2015	<u>2,000,000</u>	<u>\$ 1.25</u>

The fair value allocated to the warrants at March 31, 2013 was \$33 (December 31, 2012 - \$90) and is recorded as a derivative financial liability. The gain recognized in the statement of loss for the period ended March 31, 2012 and 2011 was \$57 and \$466, respectively, and is included in other (income) expenses.

The fair value of the warrants is calculated using the Black-Scholes Option Pricing Model. Option pricing models require the input of highly speculative assumptions, including the expected future price volatility of a company's shares. Changes in these assumptions can materially affect the fair value estimate and, therefore, existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants.

15. EQUITY

15.1 Authorized

Unlimited number of common shares with no par value

15.2 Shares Issued

Shares issued and outstanding as at March 31, 2013 are 130,936,575 (December 31, 2012 - 130,936,575).

GOLDGROUP MINING INC.**Notes to the Consolidated Financial Statements****March 31, 2013 and 2012***(Unaudited - Expressed in thousands of United States dollars, except per share amounts)*

15. EQUITY (CONTINUED)

During the three months ended March 31, 2013, no share transactions occurred.

During the year ended December 31, 2012, the following share transactions occurred:

- i. 219,526 share options were exercised for proceeds of \$65 and \$173 was reallocated from share option reserve to share capital.
- ii. 2,200,000 common shares were issued to NGEEx as part of the termination of its 1.5% Net Smelter Return ("NSR") royalty that NGEEx held with respect to 70% of gold production, representing a 1.05% NSR on total gold production, from the Caballo Blanco Project (see note 9.1).

15.3 Share-based compensation expense

The Company has adopted a share option plan for which options to acquire up to 10% of the issued share capital, at the award date, may be granted to eligible optionees from time to time. Generally, share options granted have a maximum term of five years, and a vesting period and exercise price determined by the directors. The exercise price may not be less than the closing quoted price of the Company's common shares traded through the facilities of the exchange on which the Company's common shares are listed. As at March 31, 2013, share options available for issue under the plan were 13,093,657.

Total share options granted during the three months ended March 31, 2013 were nil (March 31, 2012 – 300,000). Total share-based compensation expense recognized for the fair value of share options granted and vested during the three months ended March 31, 2013 was \$20 (March 31, 2012 - \$332).

The fair value of the share options granted during the three months ended March 31, 2013 and 2012 was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	Three Months Ended March 31,	
	2013	2012
Expected option life	-	2.5 years
Expected stock price volatility	-	90%
Dividend payments during life of option	-	Nil
Expected forfeiture rate	-	Nil
Risk free interest rate	-	1.12%
Weighted average strike price	-	\$1.20
Weighted average fair value per option	-	\$0.33
Weighted average share price	-	\$1.20

Option pricing models require the input of highly speculative assumptions, including the expected future price volatility of a company's shares. Changes in these assumptions can materially affect the fair value estimate and, therefore, existing models do not necessarily provide a reliable single measure of the fair value of the Company's share options.

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Notes to the Consolidated Financial Statements
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15. EQUITY (CONTINUED)

The following stock options were outstanding:

	<u>Options</u>	<u>Weighted average exercise price (Cdn\$)</u>
January 1, 2013	10,375,108	\$ 1.00
Expired	(696,250)	\$ 1.21
Forfeited	(25,000)	\$ 0.98
March 31, 2013	<u>9,653,858</u>	<u>\$ 0.98</u>
January 1, 2012	11,486,848	\$ 1.04
Granted	1,455,000	\$ 0.66
Exercised	(219,526)	\$ 0.30
Expired	(1,618,464)	\$ 0.99
Forfeited	(728,750)	\$ 1.27
December 31, 2012	<u>10,375,108</u>	<u>\$ 1.00</u>

The following table summarizes information about the Company's stock options outstanding at March 31, 2013:

Exercise price (C\$/option)	Options Outstanding			Options Exercisable		
	Options outstanding	Weighted average contractual life (years)	Weighted average exercise price (C\$/option)	Options outstanding and exercisable	Weighted average contractual life (years)	Weighted average exercise price (C\$/option)
\$0.26 to \$0.70	4,034,201	1.39	\$0.61	3,471,701	0.92	\$0.63
\$0.71 to \$1.15	1,639,657	1.13	1.00	1,639,657	1.13	1.00
\$1.16 to \$1.60	3,980,000	2.77	1.35	3,961,250	2.77	1.35
Total	<u>9,653,858</u>	<u>1.91</u>	<u>\$0.98</u>	<u>9,072,608</u>	<u>1.76</u>	<u>\$1.01</u>

15.4 Contingent share consideration

The Company has committed to issue up to 7 million of its common shares to Almaden upon the achievement of certain project milestones on the Caballo Blanco project. This contingent share consideration was originally valued at \$3,305 (see note 10.1). There was no change in the fair value of the contingent share consideration as of March 31, 2013.

GOLDGROUP MINING INC.**Notes to the Consolidated Financial Statements****March 31, 2013 and 2012***(Unaudited - Expressed in thousands of United States dollars, except per share amounts)***16. RELATED PARTY TRANSACTIONS AND BALANCES**

Key management Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include directors, current executive officers and former executive officers (if their relationship ended during the periods disclosed), and the general managers and technical directors of the Company's various operations.

Related parties other than key management include the estranged spouse and son-in-law of a director who is also a former CEO of the Company.

Key management compensation includes:

	Three Months Ended March 31,	
	2013	2012
Salaries ¹	\$ 162	\$ 423
Non-executive director fees	33	26
Benefits ¹	20	16
Bonuses ²	29	26
Options ³	-	100
	<u>\$ 244</u>	<u>\$ 591</u>

1. The salaries and benefits are included in costs of sales, administrative expenses and exploration and evaluation properties.

2. The bonuses are included in cost of sales.

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

At March 31, 2013, trade and other accounts payable includes \$48 (December 31, 2012 - \$203) 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 estranged spouse of a director and former CEO. Under a renewed agreement, dated June 1, 2011 and expiring May 31, 2014, between Granmin Mexico and Pabelini, Pabelini pays all of the Cerro Colorado mine employees and Granmin Mexico administrative personnel and is reimbursed by Granmin Mexico. Pabelini charges a fee equal to 5% of the base salaries of the employees, before additions for statutory remittances. During the three months ended March 31, 2013 this fee totaled \$37 (March 31, 2012 - \$36). This fee is meant to reimburse Pabelini for its office costs and administrative overhead costs incurred in managing the payroll and making all required remittances to the Mexican government in association with salaries of such employees. At March 31, 2013, amounts owing (to) from Pabelini totalled \$(162) (December 31, 2012 - \$(49)).

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16. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to Pabelini, a number of expatriate workers and Caballo Blanco employees, including a director and the Company's former CEO, are employed by MINOP, S.A. de C.V. ("Minop"). Minop is a private company controlled by the son-in-law of the former 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 per year and 3% for employees earning less than \$100 base salary per year. During the three months ended March 31, 2013 this fee totaled \$10 (March 31, 2012 - \$24). This fee is meant to reimburse Minop for administrative costs incurred by the company in providing these services. At March 31, 2013, amounts owing (to) from Minop totalled \$(328) (December 31, 2012 - \$(398)).

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.

17. COST OF SALES

	Three Months Ended March 31,	
	2013	2012
Raw materials	\$ 5,262	\$ 5,285
Salaries and employee benefits	987	1,068
Rental machinery	-	58
Contractors	155	165
Royalties	209	264
Change in inventories	(481)	(153)
Other	70	288
	<u>6,202</u>	<u>6,975</u>
Depreciation and depletion	551	572
	<u>\$ 6,753</u>	<u>\$ 7,547</u>

18. ADMINISTRATIVE COSTS

	Three Months Ended March 31,	
	2013	2012
Salaries and consulting	\$ 380	\$ 548
Office and rent	330	210
Investor relations	42	178
Professional fees	483	249
Travel	34	65
Share-based compensation expense	20	332
Interest income	(8)	(25)
Other	102	100
	<u>\$ 1,383</u>	<u>\$ 1,657</u>

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19. OTHER (INCOME) EXPENSES

	Three Months Ended March 31,	
	2013	2012
Accretion for decommissioning and restoration provision	\$ 23	\$ 21
Interest and other	2	6
Gain on warrants (Note 13)	(20)	(310)
Foreign exchange (gain) loss	(20)	(936)
Exploration - project generation	113	81
Exploration - Cerro Colorado	69	281
	<u>\$ 167</u>	<u>\$ (857)</u>

20. RISK MANAGEMENT

20.1 Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to credit, liquidity and market risks from the use of financial instruments. Financial instruments consist of cash and cash equivalents, receivables, trade and other accounts payable and warrant liability.

a. Credit Risk

Credit risk arises from the non-performance by counterparties to the Company's contractual financial assets. The Company's exposure to credit risk includes cash and cash equivalents and certain receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions and by investing in high credit quality financial instruments. The Company manages its credit exposure with respect to operational matters by transacting with reputable, highly rated counterparties. The Company monitors the financial condition of its counterparties. The Company does not have derivative financial assets or significant trade receivables. Any credit risk exposure on cash and cash equivalents and receivables is considered negligible.

b. Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. The Company is dependent on cash flow from mining operations, capital raised from issuances of common shares and sale of assets to fund its business activities. The Company uses cash forecasts to ensure as far as possible that there is sufficient cash on hand to meet short-term business requirements. The Company's cash is invested in highly liquid investments which are available to discharge obligations when they come due. Most of the Company's financial liabilities have contractual maturities of less than 30 days and substantially all the Company's financial obligations are due within one year. In the normal course of business the Company enters into contracts that give rise to commitments for future payments (Note 21). The Company does not maintain a line of credit.

GOLDGROUP MINING INC.**Notes to the Consolidated Financial Statements****March 31, 2013 and 2012***(Unaudited - Expressed in thousands of United States dollars, except per share amounts)***20. RISK MANAGEMENT (CONTINUED)**

The Company's future mine closure obligations may require funds to be set aside from time to time. Estimated future costs of decommissioning and restoration are accrued. Security deposits and cash amounts, if required, will be held in trust and recorded as restricted cash.

The table below summarizes the maturity profile of the Company's non-derivative financial liabilities based on undiscounted payments. As the amounts disclosed in the table are the contractual undiscounted cash flows, these balances may not agree with amounts disclosed in the balance sheet.

As at March 31, 2013	Current	Non-current	
	Within 1 year	1 to 3 years	Later than 3 years
Trade and other accounts payable	\$ 4,366	\$ -	\$ -
Total	\$ 4,366	\$ -	\$ -

As at December 31, 2012	Current	Non-current	
	Within 1 year	1 to 3 years	Later than 3 years
Trade and other accounts payable	\$ 4,426	\$ -	\$ -
Total	\$ 4,426	\$ -	\$ -

c. Market Risk

The significant market risks which the Company is exposed to are interest rate risk, price risk and foreign currency risk. These risks will affect the Company's financial performance and the value of its financial instruments.

i. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Generally, the Company's interest income will be reduced during sustained periods of lower interest rates as higher yielding cash equivalents and short-term investments mature and the proceeds are reinvested at lower interest rates. The converse situation will have a positive impact on interest income.

To limit interest rate risk, the Company uses a restrictive investment policy. The fair value of the investments of financial instruments included in cash and cash equivalents is relatively unaffected by changes in short-term interest rates. The investments are generally held to maturity and changes in short-term interest rates do not have a material effect on the Company's operations.

GOLDGROUP MINING INC.**Notes to the Consolidated Financial Statements****March 31, 2013 and 2012***(Unaudited - Expressed in thousands of United States dollars, except per share amounts)***20. RISK MANAGEMENT (CONTINUED)****ii. Price risk**

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

iii. Foreign currency risk

The Company is exposed to foreign currency fluctuations and inflationary pressures on its financial assets and liabilities and on sales, purchases and costs as the majority of the Company's activities are carried out in Mexico. All of the Company's revenues from commodity sales are denominated in US dollars. The head office is located in Canada and related costs are primarily incurred in Canadian dollars. Other costs and expenditures that affect the Company's results of operations, financial positions or cash flows are incurred in US dollars, Canadian dollars and Mexican pesos.

The Company is exposed to foreign currency risk on financial instruments related to cash and cash equivalents, receivables, trade and other accounts payable and warrant liability. A significant change in the currency exchange rates between the US dollar relative to other currencies could have an effect on the Company's results of operations, financial position or cash flows. The Company does not mitigate transactional volatility in either the Mexican peso, Canadian dollar or the US dollar at this time. The Company does not use derivative financial instruments to reduce its exposure to foreign currency risk.

The Company does not employ any foreign currency hedge instruments to manage exposure to fluctuations in foreign currency exchange rates.

Foreign currency exposure on the Company's financial assets and financial liabilities as of March 31, 2013 and December 31, 2012 is shown in the table below:

	Canadian dollar (Cdn \$)		Mexican Peso (Peso)	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Financial assets				
Cash and cash equivalents	\$ 877	\$ 88	\$ 5,408	\$ 39,949
Receivables	62	93	62,109	64,922
	\$ 939	\$ 181	\$ 67,517	\$ 104,871
Financial liabilities				
Trade and other accounts payable	\$ 432	\$ 374	\$ 25,966	\$ 15,076

GOLDGROUP MINING INC.**Notes to the Consolidated Financial Statements****March 31, 2013 and 2012***(Unaudited - Expressed in thousands of United States dollars, except per share amounts)***20. RISK MANAGEMENT (CONTINUED)**

The following table indicates the impact of foreign currency risk on working capital as at March 31, 2013. The table also provides a sensitivity analysis of a ten percent strengthening of the US dollar against foreign currencies as identified, which would have increased (decreased) the Company's net earnings by the amounts shown in the table below.

	Canadian Dollars	Mexican Pesos
Financial assets	\$939	67,517
Financial liabilities	(432)	(25,966)
Net foreign currency working capital	\$507	41,551
US\$ exchange rate	0.9846	0.0801
Net foreign currency working capital in US\$	(499)	3,328
Foreign exchange loss on a 10% strengthening of the US\$	50	333
Foreign exchange gain on a 10% weakening of the US\$	50	333

20.2 Fair Values

The carrying values of cash and cash equivalents, receivables and trade and other accounts payable approximate fair values due to their short-term to maturity nature or the ability to readily convert to cash.

The Company's financial assets and financial liabilities are measured at fair value by level within the fair value hierarchy described below. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

As at March 31, 2013, the Company's cash and cash equivalents, receivables and trade and other accounts payable are measured at amortized cost.

The following table outlines the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy described below. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. At March 31, 2013 and December 31, 2012 the Company's financial instruments measured at fair value are as follows:

As at March 31, 2013	Level 1		Level 2		Level 3	
	\$		\$		\$	
Assets						
Marketable securities	\$	590	\$	-	\$	-
Warrant derivative assets	\$	-	\$	-	\$	61
Liabilities						
Warrant liability	\$	-	\$	-	\$	(33)

GOLDGROUP MINING INC.**Notes to the Consolidated Financial Statements****March 31, 2013 and 2012***(Unaudited - Expressed in thousands of United States dollars, except per share amounts)***20. RISK MANAGEMENT (CONTINUED)**

As at December 31, 2012	Level 1	Level 2	Level 3
	\$	\$	\$
Liabilities			
Warrant liability	\$ -	\$ -	\$ (90)

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

There were no transfers between level 1 and level 2 during the three months ended March 31, 2013 or the year ended December 31, 2012.

21. COMMITMENTS

In January 2013 the Company moved offices and terminated its previous office lease agreement which required minimum annual aggregate lease payments of \$562 plus operating costs and property taxes through 2015. The terms to sublease the previous office space to a third party and terminate the lease included a payment of three month's rent. Effective January 25, 2013 the Company entered into a new lease agreement whereby the Company has minimum lease payments of \$18 per year for the period February 1, 2013 to April 30, 2014. Operating costs and property taxes are estimated to be \$25 per year.

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

As part of ongoing surface rights land negotiations with local property owners, the Company has entered into surface land purchase agreements whereby it has agreed to pay \$477 (5,961,280 pesos) by October 25, 2013 and \$1,962 by October 25, 2016 (24,500,000 pesos) for specific surface rights.

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

Exploration and evaluation properties commitments are disclosed in Note 10.

GOLDGROUP MINING INC.**Notes to the Consolidated Financial Statements****March 31, 2013 and 2012***(Unaudited - Expressed in thousands of United States dollars, except per share amounts)***22. SEGMENTED INFORMATION**

The Company operates in two geographical and three operating segments. The operating segments are managed separately based on the nature of operations. Mining operations consist of the Cerro Colorado mine, while exploration and development is primarily the Caballo Blanco project and the Investment in DynaMexico.

During the quarter ended March 31, 2013, 100% of the Company's sales were to two third parties. The balance owing from these parties at March 31, 2013 was \$nil (2012 - \$nil).

All of the Company's revenue is generated in Mexico. Other selected financial information by geographical segment is as follows:

	March 31, 2013		
	Canada	Mexico	Total
ASSETS			
Current assets	\$ 5,195	\$ 12,267	\$ 17,462
Plant and equipment	573	2,901	3,474
Investment in DynaMexico	-	18,045	18,045
Exploration and evaluation properties	-	64,096	64,096
LIABILITIES			
Trade and other accounts payable	(594)	(3,772)	(4,366)
Taxes payable	-	(115)	(115)
Decommissioning and restoration provision	-	(878)	(878)

	December 31, 2012		
	Canada	Mexico	Total
ASSETS			
Current assets	\$ 6,470	\$ 12,386	\$ 18,856
Plant and equipment	662	3,479	4,141
Investment in DynaMexico	-	17,938	17,938
Exploration and evaluation properties	-	63,388	63,388
LIABILITIES			
Trade and other accounts payable	(341)	(4,085)	(4,426)
Taxes payable	-	(109)	(109)
Decommissioning and restoration provision	-	(855)	(855)

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(Unaudited - Expressed in thousands of United States dollars, except per share amounts)

22. SEGMENTED INFORMATION (CONTINUED)

Selected financial information by operating segments is as follows:

	Three months ended March 31,	
	2013	2012
Revenue		
Mining operations	\$ 7,942	\$ 9,603
Income (loss) before income taxes for the period		
Mining operations	\$ 1,189	\$ 2,056
Exploration and evaluation	(195)	(363)
Corporate	(1,409)	(480)
	\$ (415)	\$ 1,213

	Mining Operations	Exploration and Development	Corporate	March 31, 2013 Total
Current assets	\$ 11,241	\$ 1,026	\$ 5,195	\$ 17,462
Plant and equipment	2,408	493	573	3,474
Investment in DynaMexico	-	18,045	-	18,045
Exploration and evaluation properties	-	64,096	-	64,096
Mine properties	-	-	-	-
	\$ 13,649	\$ 83,660	\$ 5,768	\$ 103,077

	Mining Operations	Exploration and Development	Corporate	December 31, 2012 Total
Current assets	\$ 10,358	\$ 2,028	\$ 6,470	\$ 18,856
Plant and equipment	3,220	259	662	4,141
Investment in DynaMexico	-	17,938	-	17,938
Exploration and evaluation properties	-	63,388	-	63,388
	\$ 13,578	\$ 83,613	\$ 7,132	\$ 104,323

GOLDGROUP MINING INC.
Notes to the Consolidated Financial Statements
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24. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31,	
	2013	2012
Receivables	\$ (204)	\$ (1,452)
Inventories	(403)	9
Prepays and deposits	(128)	(6)
Trade and other accounts payable	(58)	1,042
Accounts payable for exploration and evaluation properties	(357)	81
Taxes payable	6	28
	<u>\$ (1,144)</u>	<u>\$ (298)</u>

Non-cash investing transactions not included in cash flows:

Depreciation capitalized to exploration and evaluation properties	\$ 26	\$ 45
Accretion for decommissioning and restoration provision	\$ 23	\$ 21