



GOLDGROUP MINING INC.

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2010

March 31, 2011

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GENERAL MATTERS

Unless otherwise noted or the context otherwise indicates, “Goldgroup Mining Inc.” refers to Goldgroup Mining Inc. alone and “Goldgroup”, “Sierra” and the “Company” refer to Goldgroup Mining Inc. and its direct and indirect subsidiaries. Unless otherwise indicated, information in the Annual Information Form is provided as of December 31, 2010.

CURRENCY AND OTHER INFORMATION

All dollar amounts in this Annual Information Form are expressed in United States (“US”) dollars except as otherwise indicated. References to “\$”, “US\$” or dollars are to United States dollars and references to “C\$” are to Canadian dollars. For Canadian dollars to US dollars, based on the Bank of Canada noon rate, the annual average exchange rate for 2010 and the exchange rate at December 31, 2010 were one Canadian dollar per US\$1.0054 and US\$0.9946, respectively. For reporting purposes, Goldgroup prepares its financial statements in US dollars and in conformity with accounting principles generally accepted in Canada, or Canadian GAAP.

HISTORIC GOLD PRICES

The price of gold fluctuates with the average price increasing for the last ten calendar years. The following table shows the average daily P.M. gold price fixing on the London Bullion Market from 2001 to the present.

Year	Average Gold Price (\$/oz.)
2001	271
2002	310
2003	363
2004	409
2005	444
2006	604
2007	696
2008	872
2009	973
2010	1,226

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Annual Information Form and the documents incorporated by reference herein contain “forward-looking statements” concerning Goldgroup’s plans at its Cerro Colorado Mine, Caballo Blanco Project and San José de Gracia Property, estimated production, capital and operating cash flow estimates 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 these forward-looking statements.

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:

- fluctuations in precious and base metal prices;
- inherent hazards and risks associated with mining operations;
- inherent uncertainties associated with mineral exploration and development activities;
- uncertainties inherent in the estimation of mineral reserves and/or resources and precious metal recoveries;
- uncertainties related to actual capital costs, operating costs and expenditures, production schedules and economic returns from Goldgroup’s projects;
- uncertainties related to current global financial conditions;
- uncertainties related to the availability of future financing necessary to undertake exploration, development, mining and processing activities on Goldgroup’s properties;
- Goldgroup’s substantial reliance on its Cerro Colorado Mine for revenues;
- risks related to the planned expansion of the Cerro Colorado Mine;
- risks related to the continued operation and planned expansion of the Cerro Colorado Mine without a current economic analysis;
- risks related to the integration of businesses and assets acquired by Goldgroup;
- uncertainties related to the competitiveness of the mining industry;
- risks associated with Goldgroup being subject to government regulation, including changes in law and regulation and risks associated with Goldgroup’s need for governmental licenses and permits;
- risks associated with Goldgroup being subject to extensive environmental laws and regulations, including a change in regulation;
- risks that Goldgroup’s title to its property could be challenged;
- political and country risk;
- risk of water shortages and risks associated with competition for water;
- Goldgroup’s need to attract and retain qualified personnel;
- increases in off-site transportation and concentrate processing costs;
- risks related to the need for reclamation activities on Goldgroup’s properties, including the nature of reclamation required and uncertainty of costs estimates related thereto;
- risks associated with potential conflicts of interest;
- risks associated with potential labour disputes; and
- risks associated with potential blockades of mining operations.

A discussion of these and other factors that may affect Goldgroup’s actual results, performance, achievements or financial position is contained in the filings by Goldgroup with the Canadian provincial securities regulatory authorities, including Goldgroup’s Management’s Discussion and Analysis for the

year ended December 31, 2010. 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 set out below under the heading "Risk Factors" as well as those contained in the Management's Discussion and Analysis for the year ended December 31, 2010. incorporated herein by reference in this Annual Information Form.

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

The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

NON-GAAP MEASURE

Cash Costs

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

These gold cash costs differ from measures determined in accordance with Canadian GAAP. They are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP. These measures are not necessarily indicative of net earnings or cash flow from operations as determined under Canadian GAAP. See Goldgroup's Management's Discussion and Analysis for the year ended December 31, 2010 filed on SEDAR at www.sedar.com for a reconciliation of total cash cost to the most directly comparable GAAP measure.

ITEM 1 CORPORATE STRUCTURE

Name, Address and Incorporation

The Company, formerly known as Acabit Exploration Inc., was formed under the laws of the Province of Quebec by the result of a merger under the *Companies Act* (Quebec) on November 9, 1989. In 1996, the Company changed its name to Western Pacific Mining Exploration Inc. In October 2002, the Company consolidated its outstanding common shares on the basis of one new common share for ten old common shares and changed its name to Sierra Minerals Inc.

Business Combination with Goldgroup Holdings Corp.

On January 29, 2010, the Company and Goldgroup Holdings Corp. (“Pre-reverse take-over Goldgroup” and formerly Goldgroup Resources Inc.), a privately held British Columbia company, entered into a binding letter agreement with respect to a proposed business combination (the “RTO”). On February 23, 2010, the Company and Pre-RTO Goldgroup signed a definitive agreement with respect to the RTO.

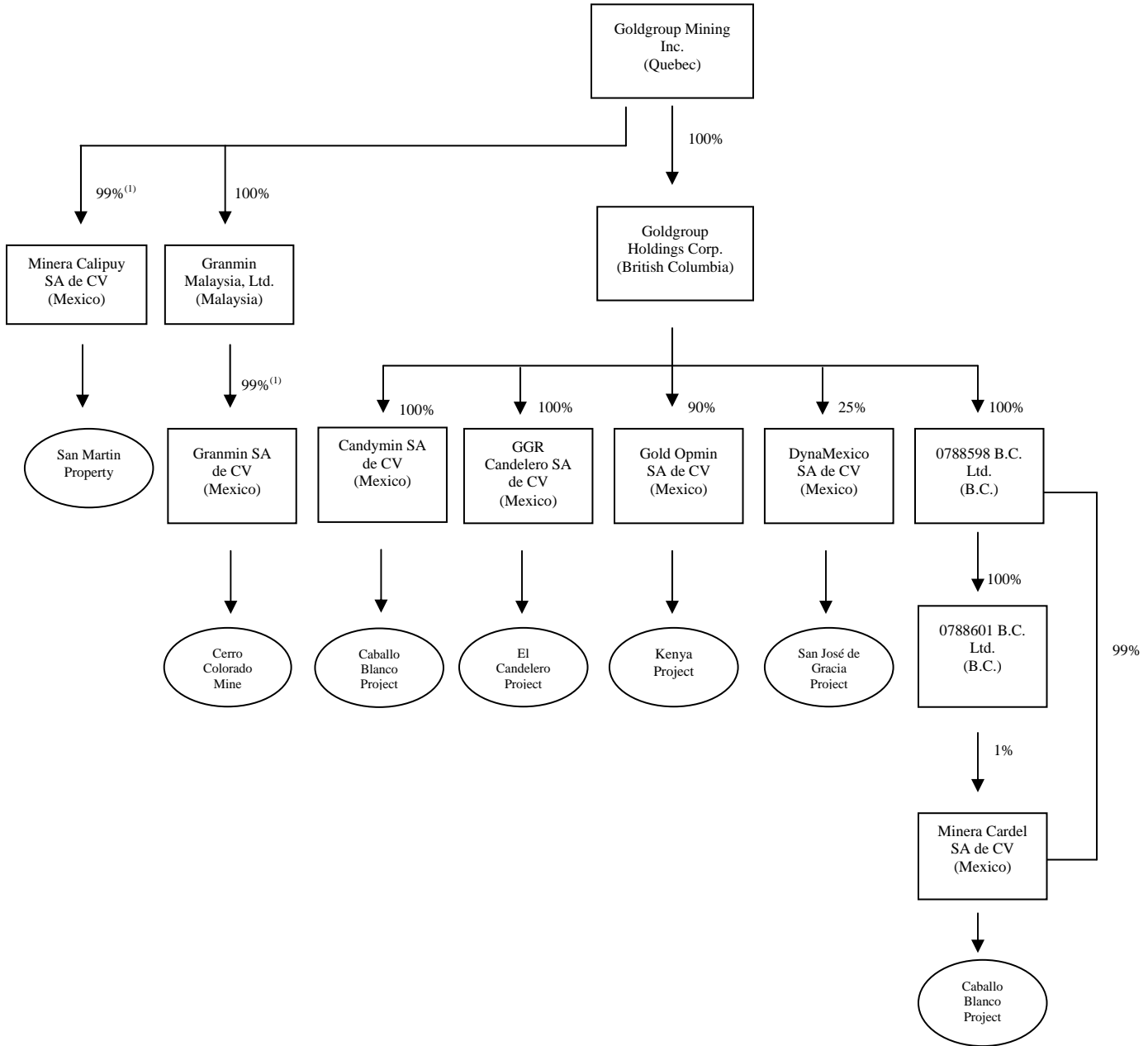
On April 30, 2010, the Company changed its name from Sierra Minerals Inc. to Goldgroup Mining Inc. and consolidated its common shares on the basis of one new common share for 2.85 old common shares. Effective April 30, 2010, the Company completed the RTO with Pre-RTO Goldgroup pursuant to a statutory plan of arrangement under the Business Corporations Act (British Columbia). The RTO has been treated as a reverse take-over of the Company by Pre-RTO Goldgroup. Pursuant to the RTO, security holders of Pre-RTO Goldgroup received 51,942,637 post-consolidated common shares of the Company in exchange for their Pre-RTO Goldgroup common shares. In addition, all outstanding options to acquire Pre-RTO Goldgroup shares were exchanged for options to acquire the equivalent number of common shares of the Company for the same aggregate consideration.

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

The head office of the Company is located at Suite 2184, 1055 Dunsmuir St., Vancouver, British Columbia V7X 1L3. The Company’s registered office is located at 2200 – 600 boulevard de Maisonneuve Ouest, Montréal, Québec, H3A 3J2.

Inter-corporate Relationships

The following chart sets out Goldgroup’s corporate structure, including all subsidiaries and their respective jurisdictions of incorporation:



Note:

⁽¹⁾ The other 1% of these companies is owned indirectly by Goldgroup.

ITEM 2 GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Overview

Goldgroup (formerly Sierra Minerals Inc.) is a Canadian-based gold producer and is focused on the acquisition, exploration and development of advanced stage gold-bearing mineral properties in the Americas. The Company's current gold production and exploration and development related activities are conducted exclusively in Mexico, one of the world's most advantageous mining jurisdictions. Goldgroup owns and operates the Cerro Colorado Mine in Sonora along with a property portfolio that includes 100% interest in the Caballo Blanco Project in Veracruz and 50% interest the San José de Gracia Project in Sinaloa.

Goldgroup's goal is to build +200,000 ounce gold per year production profile through the organic growth of its highly prospective portfolio of assets.

2011 – Corporate Developments subsequent the year ended December 31, 2010.

On March 14, 2011 Goldgroup completed its \$18,000,000 Earn-In with DynaResource de Mexico S.A. de C.V. ("DynaMexico") making Goldgroup a 50% owner of the San José de Gracia gold project in Sinaloa, Mexico ("San José de Gracia"). The property is 100% owned by DynaMexico, which is 50% owned by DynaResource Inc. ("DynaUSA"), a Delaware company, and 50% owned by Goldgroup. Under terms of an earn-in agreement (the "Earn-in Agreement") dated September 1, 2006, Goldgroup acquired 50% of DynaMexico in four phases, between September 2006 and March 2011, by funding \$18,000,000 in exploration and development expenditures on the San José de Gracia Project.

On March 10, 2011 Goldgroup closed its short form prospectus financing and issued 28,750,000 common shares at a price of C\$1.40 per share for aggregate gross proceeds of C\$40,250,000. Pursuant to the underwriting agreement, the Company paid a commission to the Underwriters of 7.0% of the gross proceeds of the Offering for their services in connection with the financing which totalled C\$2,820,000. The Company also paid certain expenses incurred by the underwriters in connection with the offering. The total share issue costs, including the underwriting fee of \$2,820,000, are estimated to be \$3,250,000.

On January 10, 2011 the Company announced the appointment of Dr. Paul Zweng to the Board of Directors. On March 25, 2011 Dr. Zweng joined the audit committee and compensation committee.

2010 – Corporate Developments

Acquisition

As discussed above under the heading "Business Combination with Goldgroup Holdings Corp.", effective April 30, 2010 the Company completed the RTO with Pre-RTO Goldgroup and began trading under its new symbol on the Toronto Stock Exchange on May 7, 2010.

On July 14, 2010, the Company filed a Business Acquisition Report (Form- 51-102F4) in respect of the RTO with the Securities Commissions.

As a result of the reverse take-over of Sierra on April 30, 2010 operating results from the Cerro Colorado mine are for the period May 1, 2010 to December 31, 2010. During the year ended December 31, 2010, the Cerro Colorado mine produced 12,693 ounces of gold. The operating cash cost per ounce of gold sold for the year was \$1,096. The Company sold 13,169 ounces of gold at an average realized gold price of \$1,275 per ounce for an approximate margin of \$179 per ounce.

The results of the Cerro Colorado mine for the period January 1, 2010 to December 31, 2010, by not incorporating the reverse take-over basis of accounting was as follows: the Cerro Colorado mine produced 20,187 ounces of gold, the operating cash cost per ounce of gold sold for the year was \$1,026 and the Company sold 20,187 ounces of gold at an average realized gold price of \$1,249 per ounce for an approximate margin of \$223 per ounce.

Equity Financing

On November 26, 2010, the Company closed a private placement of 3,000,000 units at C\$1.00 per unit for gross proceeds of C\$3,000,000. Each unit consisted of one common share and one warrant to purchase one additional common share at C\$1.25 per common share until November 26, 2015. The securities issued in connection with the private placement are subject to a four month hold period expiring March 27, 2011. A cash commission equal to 6% of the gross proceeds was paid in connection with the private placement. The proceeds from this financing have not been spent to date and are part of the Company's current working capital position.

Debt

Currently the Company has no long-term debt outstanding.

On June 7, 2010 the Company obtained a bridge loan of \$3,250,000 from Auramet Trading, LLC to complete its acquisition of its interest in the Caballo Blanco Project (the "Bridge Loan"). The Company pledged the shares of its wholly owned subsidiary, Granmin Malaysia, Ltd., which owns the operating mine, Cerro Colorado, as security. The Bridge Loan accrued interest at a rate of 10% per annum, payable on a monthly basis commencing July 1, 2010. The Company paid a 3% financing fee of \$97,500 and issued 100,000 warrants to Auramet Trading, LLC, exercisable at C\$1.00, expiring June 18, 2011. In the event that the warrants are not exercised, a \$25,000 payment is due.

Management and Board Changes

On April 30, 2010, in connection with the completion of the business combination, Donald Goldman, David Ingram and Bill Cavalluzzo resigned as directors of the Company and Gregg J. Sedun, Corry Silbernagel and Dr. Hans von Michaelis joined the board as new directors, each of whom had been directors of Goldgroup Holdings.

Also in connection with the completion of the business combination, Michael H. Farrant ceased to be Chief Executive Officer but continued to be President of the Company, Keith Piggott was appointed Chief Executive Officer, Gregg J. Sedun was appointed Executive Chairman, Philip Davies ceased to be Chief Operating Officer and was appointed Vice President, Mining Operations, Kevin Sullivan was appointed Vice President, Exploration and John Sutherland was appointed as Vice President.

Following the completion of the filing of the first quarter 2010 financial statements and MD&A, Andrés Tinajero ceased to be the Chief Financial Officer of the Company and was replaced by John Sutherland on May 17, 2010.

On June 30, 2010, in connection with the annual meeting of the Company's shareholders, Julian Kemp did not stand for re-election and Robert Byford and Francisco ("Paco") Escandon were elected directors of the Company. John Sutherland was also appointed Corporate Secretary replacing James P. Boyle. The Board also struck a Governance and Nominating Committee, Compensation Committee and Special Committee in addition to the Audit Committee. Grant Thornton LLP replaced BDO Canada LLP as auditors of the Company.

On August 19, 2010 Philip Davies resigned as Vice-President, Mining Operations. Michael Farrant resigned as President of the Company on September 30, 2010 and resigned as a director of the Company on November 30, 2010.

Production Expansion and Operations Developments

At the Cerro Colorado gold mine, on a non-RTO basis the Company produced 20,187 ounces of gold in 2010. During the quarter ended December 31, 2010, Mark Henry was appointed as the new Mine Operations Manager.

Since the RTO of Sierra, Goldgroup has completed an overall review of the mining operations and has implemented:

- Increased waste removal to open a new higher grade ore zone. This was completed in the fourth quarter and as a result has considerably increased the operating costs during this three month period. The stripping ratio for 2011 is expected to revert to its historically lower levels, which will reduce the mining cost per ton of ore.
- Brought in the primary/secondary crushing system to an average daily throughput of over 5,000 tonnes per day.
- Implemented a cost reduction program.
- Hired a new maintenance manager, which has resulted in improved reliability of our fleet of equipment and provides the means to make the operations more efficient.
- With the addition of the two key staff members, the operation production capabilities are expected to improve in 2011.
- Exploration drilling is in progress in areas immediately adjacent to and also near distant to the Cerro Colorado mine site to enhance the mineralization available for production at this facility.

Exploration Developments

Sale of El Porvenir

On July 9, 2010, the Company sold its 100% interest in the assets comprising the El Porvenir gold project in Aguascalientes, Mexico to the Frisco Group for \$25,000,000. The Company simultaneously paid \$1,700,000 to discharge a royalty interest on the property held by a third party to net \$23,300,000 in sale proceeds on the transaction. On July 15, 2010, the Company used part of the sale proceeds to repay in full the Bridge Loan.

Caballo Blanco

The Company is earning a 70% interest in the Caballo Blanco project. On the exploration front, target mapping, surface sampling and re-logging of the drill core from the previous 32-hole diamond drill program continued throughout the quarter. The Company started a comprehensive Environmental Impact Study, including base line study, risk analysis and technical study for the Change of Use of Land permit and another environmental impact statement restricted to the underground adits was submitted to the environmental authorities on October 28, 2010. Goldgroup is continuing its 30,000 meter multi-drill program, utilizing four mainly large diameter HQ diamond drills, designed to expand and upgrade the current NI 43-101-compliant mineral resource estimate at the La Paila anomaly and to test other highly prospective areas for mineralization, including other targets at the Northern Zone as well as targets at the Red Valley and Highway zones.

The following initiatives are part of the exploration/development program at Caballo Blanco:

- Ground geophysics – Data collection for the 63 line km IP (induced polarization) survey has been completed and interpretation of the results is ongoing.
- Geochemical analysis of surface chip samples has shown an extension of the La Paila mineralization to the East and is progressing in other areas.
- Metallurgical column leach testing at the Company's on site laboratory using 6" and 16" diameter columns has indicated high and fast leaching recoveries, as expected. Within the next two months the Company expects to start four 1m diameter by 6m tall column tests to verify that open pit run of mine heap leaching is applicable. Underground adits will give sufficient run of mine sized material for these test columns.
- An environmental impact study, including the environmental baseline and impact statement, the socio-economical study and a risk analysis, is proceeding and is approximately 50% complete.
- The Company has expanded its concession areas and identified by satellite Aster imaging a number of anomalies which are being investigated.
- The Company also plans to tunnel into the side of the mineralized zone in order to complete further drilling and bulk sampling for metallurgical testing.

As of March 31, 2011 Goldgroup has met the required \$12,000,000 property expenditures. The 70/30 joint venture with Almaden Minerals Ltd. ("Almaden") will form once Goldgroup completes a bankable feasibility study, which it needs to complete before March 31, 2013.

San José de Gracia

Drilling recommenced on September 27, 2010 with an 18,500 meter program with a forecast cost of \$2,050,000. On July 21, 2010 the new Environmental Permit for exploration was granted by the Mexican governmental agency SEMARNAT, for an additional three years. Reforestation efforts are ongoing with a total of 16,800 trees planted during the year and a similar number of seedlings await in the nursery. Since the previous resource statement based on drilling completed to July of 2009 the Company has drilled an additional 114 holes, the results of which combined with the previous drilling will be used to complete a revised 43-101 resource estimate which in turn will be used to support an economic assessment for mining. The Company is targeting a resource sufficient to sustain 100,000 ounces of annual gold production.

Other Corporate Developments

During the year 1,097,362 stock options were exercised for proceeds of \$540,680 and 21,929 warrants were exercised for proceeds of \$18,198.

2009 – Corporate Developments

Acquisition

On November 23, 2009, Pre-RTO Goldgroup entered into a share purchase agreement with NGEx Resources Inc. (“NGEx”) to indirectly acquire 100% of the issued and outstanding shares of Minera Cardel S.A. de C.V. (“Minera Cardel”). Minera Cardel is the owner of an option to acquire a 70% undivided interest in the Caballo Blanco Project. Title to the Caballo Blanco mineral claims is held by a subsidiary of Almaden, which will retain a 30% stake in the project. In June 2010, Goldgroup completed the purchase of Mineral Cardel, and acquired the option to earn a 70% interest in the Caballo Blanco Project by making the final \$3,000,000 payment to NGEx.

During the year ended December 31, 2009, the Cerro Colorado mine produced 20,546 ounces of gold. Operating cash cost per ounce of gold sold for the year was \$701. The Company sold 20,749 ounces at an average realized gold price of \$973 per ounce for an approximate margin of \$272 per ounce. As a result, the Company recognized record levels of revenue and cash flow for 2009.

Equity Financing (on a pre 2.85 share roll-back basis)

During 2009, the Company was successful in completing two private placements for total gross proceeds of \$3,193,109 (C\$3,730,000) by issuing 18,650,000 units at C\$0.20. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitled the holder to acquire one additional common share at a price of C\$0.30 per share until February 27, 2011 for 4,325,000 warrants in connection with the first financing and March 25, 2011 for the other 5,000,000 warrants in connection with the second financing as detailed below. All of these warrants were exercised.

On March 9, 2009, the Company closed the first tranche of these financings through the issuance of 8,000,000 units at C\$0.20 for proceeds of \$1,257,744 (C\$1,600,000) and on April 3, 2009, closed the second and final tranche of this first non-brokered private placement through the issuance of 650,000 units priced at C\$0.20 per unit for total proceeds of \$103,025 (C\$130,000).

On September 25, 2009, the Company closed its second non-brokered private placement of 2009 through the issuance of 10,000,000 units priced at C\$0.20 per unit for total proceeds of \$1,832,340 (C\$2,000,000).

Each of the common shares and warrants were subject to a hold period of four months plus one day from the date of issuance in accordance with the policies of the Toronto Stock Exchange and applicable securities laws. No fees were paid in connection with the first private placement while a finder’s fee of C\$75,000 was paid in connection with the second financing.

Debt Restructuring and Retirement

On February 18, 2010, the Company made the final principal and interest payment against the Warman I Loan as payment in full. In total, the Company repaid \$1,763,712 in loan principal during 2009 with

the final \$450,000 repaid in February 2010. The Company also paid \$293,136 in interest payments against these loans in 2009 with an additional \$5,523 paid in February 2010. The restructuring and repayment of the various loans during 2009 is detailed below.

Warman I Loan

As at December 31, 2008, this unsecured loan was in default with principal of \$1,950,000 and accrued interest of \$172,394 payable on demand. On March 6, 2009, the Company entered into a new promissory note with Warman, replacing the old Warman I Loan. It was agreed that accrued and unpaid interest up to March 5, 2009 would be capped at \$190,000 and that the Company would make payments of \$190,000 as payment in full against all accrued and unpaid interest and \$500,000 towards outstanding principal, such that the principal balance of the new loan would be \$1,450,000. On March 9, 2009, the Company made the required payments to Warman. The payments were made from the proceeds of the first non-brokered private placement discussed above. The new unsecured \$1,450,000 principal loan, dated March 6, 2009, bear interest at 8% payable quarterly and was repayable as follows: \$150,000 on or before June 30, 2009, \$350,000 on or before September 30, 2009, \$500,000 on or before December 31, 2009 and \$450,000 on or before March 31, 2010. The Company made all required principal repayments during 2009 and repaid the remaining \$450,000 on February 18, 2010.

Warman II Loan

In February 2009, the Company and Warman agreed to cap the accrued and unpaid interest on this loan at \$17,767 such that the outstanding principal of \$87,233 plus the accrued interest equalled \$105,000, provided the Company make immediate payment of this total. On February 20, 2009, the Company made a payment of \$105,000 to Warman as full and final settlement of the Warman II Loan. The payment was made from cash flow from operations.

Piggott Loan

On December 22, 2008, the Company entered into a new promissory note with Piggott replacing the old Piggott loan. It was agreed to reduce the interest rate from 20% to 4% retroactive to September 15, 2007. The \$70,000 principal balance of the new unsecured loan was due for repayment by December 31, 2009. On February 13, 2009, the Company paid \$20,000 to Mr. Piggott (\$4,005 – interest, \$15,995 – principal) and on September 30, 2009 paid \$55,360 (\$1,355 – interest, \$54,005 – principal) as full and final payment of this loan. Both payments were made from cash flow from operations.

Aggra Performance Ltd. (“Aggra”)

During the first quarter of 2009, the Company made payments totalling \$112,556 (\$106,479 in principal and \$6,037 in interest) from cash flow from operations as payment in full against this loan.

Production Expansion and Operations Developments

Operationally, the Cerro Colorado mine produced 20,546 ounces of gold during 2009.

Exploration Developments

Regional geological studies completed over the period from 2006 to 2009 by the Company’s Mexican subsidiary, Granmin S.A. de C.V. (“Granmin Mexico”) identified a prospective 1km by 3km area that historically has produced gold from both underground mines and placers. Granmin Mexico has continued to add to its land position in this area in addition to existing mineral concessions already under lease. All of these concessions collectively form the El Cajon Gold Project.

In November 2009 the Company reported initial drilling results from its wholly-owned El Cajon Gold Project in Sonora, Mexico, approximately 12 km from its producing Cerro Colorado Gold Mine and infrastructure. This represents the first major step in advancing a regional exploration program that began with initial concession acquisitions in late 2007. These results prompted additional Phase I drilling aimed at determining the extent of the mineralization.

As of December 31, 2009 approximately 50 drill holes totalling approximately 3,000 meters had been completed on the target area. The area appeared as three distinct mineralized fault zones and minor intermediate structures that trend ENE. Exploration expenditures were being funded out of operating cash flow from the Cerro Colorado mine.

During September 2009, the Company decided to abandon the Los Carlos project and return the concessions to the property owner. The Company wrote off all expenditures that had previously been capitalized in respect of this project.

2008 – Corporate Developments

During the year ended December 31, 2008, the Cerro Colorado mine produced 19,669 ounces of gold. Operating cash cost per ounce of gold sold for the year was \$597. The Company sold 19,834 ounces at an average realized gold price of \$868 per ounce for an approximate margin of \$271 per ounce.

Debt Restructuring

As noted above, as of May 31, 2008, all of the Company's debt agreements were in default and were due and payable on demand. The debt restructuring process was completed on March 6, 2009. As such, the discussion on debt restructuring covers 2008 and the period up to March 6, 2009.

Warman I Loan

On September 15, 2006, Warman provided a loan of \$1,950,000 through a promissory note from the Company ("Warman I Loan") as part of its acquisition of the Cerro Colorado gold mine. On March 15, 2008, the Company failed to make certain principal and interest payments on the loan resulting in an event of default. All amounts outstanding under the Warman I Loan became payable on demand as at that date and a penalty interest rate of 8% per annum, compounded semi-annually, was applied retroactively to November 15, 2007. The loan was unsecured and as at December 31, 2008, was in default with principal and accrued interest of \$2,122,394 payable on demand. No principal or interest payments were made during 2008. Interest of \$172,394 was accrued at December 31, 2008.

As discussed above, on March 6, 2009, the Company entered into a new promissory note with Warman, replacing the old Warman I Loan.

Warman II Loan

As at December 31, 2007, the Company owed Warman \$87,233 through another promissory note which was in default. The loan was unsecured and as at December 31, 2008, remained in default with principal and accrued interest payable on demand. No principal or interest payments were made during 2008.

As discussed above, on February 20, 2009, the Company made a payment of \$105,000 to Warman as full and final settlement of the Warman II Loan.

Piggott Loan

As at December 31, 2007, the Company also owed Keith Piggott, Chairman of Sierra at the time, \$70,000 through another promissory note which was also in default. The loan was unsecured and as at December 31, 2008, remained in default with principal and accrued interest payable on demand. No principal or interest payments were made during 2008.

As discussed above, On December 22, 2008, the Company entered into a new promissory note with Piggott replacing the old Piggott loan, which was repaid in full on September 30, 2009.

Aggra Performance Ltd. ("Aggra")

As at December 31, 2007, the Company owed Aggra \$200,000 pursuant to a convertible debenture. On May 31, 2008, the Company failed to make repayment and the debenture went into default. During the period June to October 2008, the Company made payments totalling \$124,990 to Aggra comprised of \$31,469 in interest and \$93,521 against the principal amount of the debenture.

Effective October 20, 2008, the Company cancelled the convertible debenture and replaced the remaining outstanding principal amount with a new \$106,479 promissory note bearing interest at 15%. The new loan required monthly payments of \$20,000 on or before the 15th day of each month beginning in January 2009 to May 2009 with the final stub payment due on or before June 15, 2009. Subsequent to December 31, 2008, the Company made payments totalling \$112,516 (\$106,479 in principal and \$6,037 in interest) as payment in full against this loan.

Shares Issued For Debt (on a pre 2.85 share roll back basis)

On September 25, 2008, the Company issued 541,457 common shares from its treasury to Martin Walter at a deemed price of C\$0.35 per share, in settlement of amounts owing to Mr. Walter totalling C\$189,510. Mr. Walter previously held the office of President and CEO of the Company from September 2004 to June 2008. The share issuance was pursuant to a resignation agreement between the Company and Mr. Walter dated June 27, 2008 and includes amounts owing to Mr. Walter as at that date, in his capacity as President and CEO.

Operations Developments

For the 2008 year at the Cerro Colorado mine, 3.625 million tonnes were mined comprised of 1.856 million tonnes of waste and 1.769 million tonnes of ore having an average grade of 0.61 grams per tonne gold. As noted above, this resulted in the production of 19,669 ounces of gold.

Exploration Developments

On July 2, 2008, Granmin Mexico, entered into an Agreement with a Mexican individual to earn a 100% interest in various concessions located in Sonora, Mexico. See "Other Exploration Projects" for further details.

Other Corporate Developments

On March 10, 2008, the Company announced its intention to amend the exercise period attached to the common share purchase warrants issued as part of the Company's C\$1,188,406 private placement

financing completed on September 15, 2006. 1,546,723 common share purchase warrants entitling the holder to purchase an additional common share in the capital of the Company at C\$0.50 per share were extended from their original expiry date of March 15, 2008 to September 15, 2008. Another 151,000 held by officers and directors expired on March 15, 2008. The 1,546,723 common share purchase warrants expired unexercised on September 15, 2008.

Effective December 31, 2008, the Company's functional currency changed from the Canadian dollar to the US dollar.

ITEM 3 DESCRIPTION OF THE BUSINESS

General

Goldgroup is a Canadian-based gold producer and is focused on the acquisition, exploration and development of advanced stage gold-bearing mineral properties in the Americas.

Revenue

All of the Company's operating revenue is derived from the sale of refined precious metals through:

- Metalor USA in North Attleborough, Massachusetts ("**Metalor**");
- Auramet Trading LLC in Fort Lee, New Jersey ("**Auramet**").

Metalor Technologies SA is an international Swiss-based group, with subsidiaries in 15 countries. It is a leading participant in the field of precious metals and advanced materials. Metalor's Refining Division is an industrial organisation specialized in the Evaluation and Refining of precious metals of both primary and secondary origin. Gold doré bars are shipped to Metalor via secured surface transportation and sale proceeds are then submitted by wire transfer to the account of Granmin S.A. de C.V. ("Granmin Mexico"), the Company's Mexican operating company.

Auramet is a physical precious metals merchant involved in buying and selling metals. When gold doré bars are shipped to Metalor, they can be sold with Auramet's trading desk once they reach the facility. Sale proceeds are then submitted by wire transfer to the account of Granmin Mexico. Title to the gold transfers to Auramet at the time payment is made and the Company records the sale at this time.

A 3% royalty, net of certain deductible operating costs, is due to Treasury Metals Inc. upon the outturn and ultimate sale of the precious metals.

Cyclical and Seasonality

The cyclical nature of the business reflects the global supply and demand outlook for gold, which in turn is influenced by diverse factors, U.S. currency valuations, derivatives market activity, interest rate and inflation forecasts, and other factors discussed further in the "Risk Factors" section of this Annual Information Form. Seasonality does not have a pronounced impact on the Company's business, as the Cerro Colorado Mine operates year round and is not subject to any significant maintenance shut-downs or weather-related seasonality.

Competitive Conditions

The precious metals exploration and mining industry is extremely competitive and the Company competes with other mining companies for precious metals properties, for joint venture partners and opportunities and for the acquisition of investments in other mining companies.

Environmental Protection

The current and future operations of the Company, including development activities on its properties, are subject to laws and regulations and best practice principles governing exploration, development, waste disposal, greenhouse gas emissions, protection and remediation of environment, reclamation, hazardous substances and other matters. Compliance with such laws and regulations increases the costs of and delays planning, designing, drilling and developing the Company's properties.

The Company plans to diligently attempt to apply technically proven and economically feasible measures to advance protection of the environment throughout the exploration and development process. Current costs associated with compliance are considered normal.

Foreign Operations

The Company's activities are carried out exclusively in Mexico, and as such, the Company's operations may be affected by possible political or economic instability and government regulations relating to the mining industry and foreign investors therein. Mineral exploration and mining activities may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, maintenance of property, environmental legislation, land use, land claims of local people, water use and property safety. The effect of these factors on the Company cannot be accurately predicted.

Employees

Due to the particulars of Mexican law, it is common for operating companies to employ their workers through a management company. Up to May 2008, the employees of Granmin Mexico were employed by ("Secocon"), a company owned by the ex-spouse of the Chief Executive Officer. Under an agreement between Granmin Mexico and Secocon, Secocon would pay all of the Cerro Colorado mine employees and Granmin Mexico administrative personnel and would be reimbursed by Granmin Mexico. Secocon charged a fee equal to 5% of the base salaries of the employees, before additions for statutory remittances. This fee was meant to reimburse Secocon for its office costs and administrative overhead costs incurred in managing the payroll, calculating and making all required remittances to the Mexican government in association with the payroll, compensation received by such employees. The excess of this fee over these administrative costs provided for a small profit margin.

During May 2008, all of the employees were transferred from Secocon to a new company, Pabelini, S.A. de C.V. ("Pabelini"), still owned by the ex-spouse of the Chief Executive Officer (Mr. Piggott). Effective June 1, 2008, Pabelini began operating in the same manner as Secocon with the same fee structure. The 5% administrative fee has been included in operating costs.

The ex-patriate employees that work in Mexico are employed by Minop S.A de C.V. ("Minop"), a private company controlled by the step-son of the ex-wife of the Chief Executive Officer. Minop charges a service fee of 3% of the base salary paid to employees to reimburse it for the costs

associated with administering the employment of these workers. The workers are hired directly by Minop, and Goldgroup has no liability or exposure in regards to benefits, dismissals or payroll taxes.

The Company employs seven employees at its head office in Vancouver, British Columbia. The Company employs approximately 230 employees in Mexico through third party payroll companies.

Social and Environmental Policies

The Company has adopted a Code of Business Conduct & Ethics that states that where possible, the Company will strive to prevent or otherwise minimize, mitigate and remediate any negative impact on the environment as a result of its operations. The Code of Business Conduct & Ethics also provides that the directors, officers and employees of the Company will do their best to accommodate the different cultures, lifestyles, heritage and preferences of the communities in which the Company operates in.

Risk Factors

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

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

Actual capital costs, operating costs and expenditures, economic returns may differ significantly from those Goldgroup has anticipated

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.

General economic conditions may adversely affect our growth and profitability.

The events in global financial markets in the latter part of 2008 have had a profound impact on the global economy. Many industries, including the precious and base metals mining industry, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect Goldgroup's growth and profitability. Specifically:

- the global credit/liquidity crisis could impact the cost and availability of financing and Goldgroup's overall liquidity;
- the volatility of metal prices would impact Goldgroup's revenues, profits, losses and cash flow;
- volatile energy prices, commodity and consumables prices and currency exchange rates would impact Goldgroup's production costs; and
- the devaluation and volatility of global stock markets would impact the valuation of Goldgroup's equity and other securities.

These factors could have a material adverse effect on Goldgroup's financial condition and results of operations.

Goldgroup relies substantially on the Cerro Colorado Mine

All of Goldgroup's revenues in the current and prior years have been generated by the Cerro Colorado Mine. The Cerro Colorado Mine entered the production phase in 2003. Therefore, unless Goldgroup develops or acquires additional properties or projects, Goldgroup will remain largely dependent upon the operation of the Cerro Colorado Mine for its revenue and profits, if any. If for any reason production at the Cerro Colorado Mine was reduced or stopped, Goldgroup's revenues and profits would decrease significantly.

Goldgroup may acquire or dispose of businesses or assets

Goldgroup periodically evaluates opportunities to acquire or dispose of mining assets, properties and businesses. Any acquisitions or dispositions may be significant in size, may change the scale of Goldgroup's business, and may expose Goldgroup to new geographic, political, operating, financial and geological risks. Goldgroup's success in its acquisition or disposition activities depends on its ability to identify suitable acquisition or disposition candidates, acquire or dispose of them on acceptable terms and integrate acquired operations successfully. Any acquisitions would be accompanied by risks such as a significant decline in the relevant metal price after Goldgroup commits to complete an acquisition on certain terms; the quality of the mineral deposit acquired proving to be lower than expected; the difficulty of assimilating the operations and personnel of any acquired companies; the potential disruption of Goldgroup's ongoing business; the inability of management to realize anticipated synergies

and maximize the financial and strategic position of Goldgroup; the failure to maintain uniform standards, controls, procedures and policies; the impairment of relationships with employees, customers and contractors as a result of any integration of new management personnel, and the potential unknown liabilities associated with acquired assets and businesses. There can be no assurance that any assets or business acquired will prove to be profitable or that Goldgroup will be able to integrate the required businesses successfully, which could slow Goldgroup's rate of expansion and Goldgroup's business, results of operations and financial condition could suffer.

Goldgroup may need additional capital to finance other acquisitions. If Goldgroup obtains further debt financing, it will be exposed to the risk of leverage and its operations could become subject to restrictive loan and lease covenants and undertakings. If Goldgroup obtains equity financing, existing shareholders may suffer dilution. There can be no assurance that Goldgroup would be successful in overcoming these risks or any other problems encountered in connection with such financings.

Uncertainties and risks relating to the development of Goldgroup's projects

Goldgroup is subject to inherent uncertainties and risks related to the development and potential construction of its projects the principal of which include:

- hiring of key personnel for the construction and commissioning;
- availability and delivery of critical equipment on time;
- delays associated with contractors;
- budget overruns due to changes in the cost of fuel, power, materials and supplies;
- securing rights of passage for a water pipe line; and
- potential opposition from non-governmental organizations, environmental groups or local groups which may delay or prevent activities.

It is common in new mining operations to experience such unexpected costs, problems and delays during construction, development and mine start-up. In addition, delays in the commencement of mineral production often occur. Accordingly, we cannot provide assurance that our activities will result in profitable mining operations at Goldgroup's projects.

Potential Conflicts with DynaUSA

There exists potential for conflicts with DynaUSA which is the other 50% equity owner of DynaMexico. Goldgroup currently appoints one of three members of the DynaMexico directors and appoints two of three members of DynaMexico's management committee, which oversees the expenditures and approves the budgets for such expenditures. The new board of DynaMexico will be comprised of five members with DynaUSA and Goldgroup each appointing two members and mutually agreeing on one additional member. The Company is currently in the process of changing the structure of ownership and operations as a result of obtaining the 50% equity interest on March 10, 2011. The inherent structure of ownership and operations has the potential for conflicts that could materially affect operations of San José de Gracia.

Uninsured Risks

Goldgroup does not carry insurance to protect against certain risks. Risks not insured against in each case include environmental pollution, earthquake damage, mine flooding, or other hazards against which mining exploration corporations cannot insure or against which the Company may elect not to insure

because of high premium costs or other reasons. Due to the high cost of bullion insurance, the Company has decided not to purchase this line of insurance. Instead, the Company has implemented changes to its controls and procedures to help mitigate the risk of theft and its resultant loss. Failure to have insurance coverage for any one or more of such risks or hazards could have a material adverse effect on the Company's business, financial condition and results of operations. Due to the age of the mobile equipment and plant equipment insurance coverage has not been purchased.

Goldgroup has not previously overseen the construction of a mining project

Goldgroup has not overseen the construction of a mining project. There are inherent risks related to the development of project infrastructure given Goldgroup's lack of experience in mine construction relating to, among other things, construction supervision, cost estimating, obtaining required permits and approvals and the management of personnel. Consequently, Goldgroup may be required to rely upon consultants, engineers and others for construction expertise in respect of its projects.

Outside Contractor Risks

It is common for certain aspects of mining operations, such as drilling and blasting, to be conducted by an outside contractor. Such operations are subject to a number of risks, including reduced control over the aspects of the operations that are the responsibility of the contractor, failure of the contractor to perform under its agreement with the Company, inability to replace the contractor if either party terminates the contract, interruption of operations in the event the contractor ceases operations due to insolvency or other unforeseen events, failure of the contractor to comply with applicable legal and regulatory requirements and the failure of the contractor to properly manage its workforce resulting in labour unrest or employment issues.

Risks related to archaeological sites

Certain of Goldgroup's projects and properties may be located on or near significant archaeological sites which could require Goldgroup to adjust its operations to minimize the impact on any such archaeological site. Goldgroup could potentially be found liable by applicable regulatory authorities if it were to damage any such archaeological sites.

There can be no guarantee that Goldgroup's title to its properties will not be challenged

Although Goldgroup has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. Goldgroup's properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by unidentified or unknown defects. Goldgroup has conducted as thorough an investigation as possible on the title of properties that it has acquired or will be acquiring to be certain that there are no other claims or agreements that could affect its title to the properties.

Goldgroup's operations are subject to political and country risk

Goldgroup conducts, or will conduct, exploration, development and production activity in Mexico. These operations are potentially subject to a number of political, social, economic and other risks. Goldgroup is not able to quantify the impact of political, social, economic or other risks on its future financial position, including:

- cancellation or renegotiation of contracts;
- changes in foreign laws or regulations;

- changes in tax laws;
- royalty and tax increases or claims by governmental entities;
- retroactive tax or royalty claims;
- expropriation or nationalization of property;
- inflation of costs that is not compensated by a currency devaluation;
- restrictions on the remittance of dividend and interest payments offshore;
- environmental controls and permitting;
- risks of loss due to civil strife, acts of war, guerrilla activities, insurrection and terrorism, and
- other risks arising out of foreign sovereignty over the areas in which Goldgroup's operations are conducted.

Such risks could potentially arise in any country in which Goldgroup operates. Furthermore, in the event of a dispute arising from such activities, Goldgroup may be subject to the exclusive jurisdiction of courts outside North America or may not be successful in subjecting persons to the jurisdiction of the courts in North America, which could adversely affect the outcome of a dispute.

Goldgroup is subject to government regulation

Operations, development and exploration on Goldgroup's properties are affected to varying degrees by political stability and government regulations relating to such matters as environmental protection, health, safety and labour, mining law reform, tax increases, maintenance of claims, tenure, and expropriation of property. There is no assurance that future changes in such regulations, if any, will not adversely affect Goldgroup's operations. The activities of Goldgroup require licenses and permits from various governmental authorities. While Goldgroup currently has been granted the requisite licenses and permits to enable it to carry on its existing business and operations, there can be no assurance that Goldgroup will be able to obtain all the necessary licenses and permits which may be required to carry out exploration, development and mining operations for its projects.

Goldgroup may not have adequate surface rights

Goldgroup may require additional surface rights to exploit the resources on its properties. Goldgroup may need to negotiate with private landowners for the additional surface rights it may require. Surface rights may also be regulated and restricted by applicable law. There is no assurance that Goldgroup will be able to obtain the required surface rights to allow it to develop its properties and establish commercial mining operations.

Goldgroup is subject to risks relating to environmental matters

All phases of Goldgroup's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Goldgroup's operations. Environmental hazards may exist on Goldgroup's properties which are unknown to Goldgroup at present which have been caused by previous or existing owners or operators of the properties.

Goldgroup may be adversely affected by competition for water and by water shortages

Goldgroup's future operations require water, and its projects are located in regions where water is scarce. While Goldgroup believes it holds or will obtain sufficient water rights to support its future operations, future developments could limit the amount of water available to Goldgroup. New water development projects, or climatic conditions such as extended drought, could adversely affect Goldgroup. There can be no guarantee that Goldgroup will be successful in obtaining sufficient water rights.

Goldgroup depends on key management personnel and may not be able to attract and retain qualified personnel

Goldgroup is dependent on a number of key management personnel, including the services of certain key employees. Goldgroup's ability to manage its operations, exploration and development activities, and hence its success, will depend in large part on the ability to retain current personnel and attract and retain new personnel, including management, technical and unskilled workforce. The loss of the services of one or more key management personnel could have a material adverse effect on Goldgroup's ability to manage and expand its business.

Goldgroup may experience growth in its number of employees as a result of its growth strategy. This growth will place substantial demands on Goldgroup and its management. Goldgroup's ability to recruit and assimilate new personnel will be critical to its performance. Goldgroup will be required to recruit additional personnel and to train, motivate and manage its employees. The international mining industry is very active and Goldgroup is facing increased competition for personnel in all disciplines and areas of operation, and there can be no assurance that it will be able to retain current personnel and attract and retain new personnel.

Goldgroup may need to raise additional capital

Goldgroup may need to raise additional capital to fund future, property option payments, acquisitions or joint ventures. Additional capital may not be available, at such times or in amounts, as needed. Even if capital is available, it might be on adverse terms. There can be no assurance that unforeseen developments or circumstances will not alter Goldgroup's requirements for capital. Any additional equity financing will be dilutive to Goldgroup's shareholders. If access to sufficient capital is not available as and when needed, Goldgroup's business may be impaired.

Foreign currency risks

Goldgroup's operations in Mexico make it subject to foreign currency fluctuations. Goldgroup's operating expenses are primarily incurred in Mexican pesos, and the fluctuation of the Canadian dollar in relation to the Mexican peso will consequently have an impact upon the profitability of Goldgroup and may also affect the value of Goldgroup's assets and the amount of shareholders' equity.

Goldgroup's directors and officers may have conflicts of interest

Certain of the directors and officers of Goldgroup also serve as directors and/or officers of other companies involved in natural resource exploration and development, and consequently there exists the possibility for such directors and officers to be in a position of conflict.

Risks Related to the Cerro Colorado Mine

Planned expansion may not be successful

There is no assurance that the Company's current or future exploration programs near the Cerro Colorado Mine will result in any new economically viable mining operations or yield mineral reserves. While historically the mine has been economically productive, there can be no assurance that new mineral resources, if any, can be mined profitably. Ultimately, economic factors beyond the control of the Company may result in the mine being unable to operate at a profit. Further regulatory approvals and permits which may be required for any expansion of the mine may not be obtained. The Company's estimates of the costs of completing the expansion project and of operating the mine are subject to many uncertainties which may cause such costs to be higher than those the Company has anticipated. In such event, the Company may need to obtain additional capital to pursue its business plan with respect to the Cerro Colorado Mine.

There is currently no economic analysis and no mineral reserve estimate for the Cerro Colorado Mine

The Cerro Colorado Report was amended on February 28, 2011 and does not contain an economic analysis for the Cerro Colorado Mine and no mineral reserves have been estimated. The Company does not currently have a NI 43-101 compliant economic analysis for the Cerro Colorado Mine. Therefore, there can be no assurance that further exploration around, and planned expansion, of the Cerro Colorado Mine will result in economically mineable reserves, increased production or recovery of the capital costs of expansion. Further, as there are no estimated mineral reserves, there can be no assurance of continued economic production. Reduced or halted production would adversely affect the Company as the Cerro Colorado mine is its sole source of revenue.

Goldgroup faces operating hazards and risks relating to the Cerro Colorado Mine

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Hazards such as unusual or unexpected formations and other conditions can occur. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damages. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. Any compensation for such liabilities may have a material, adverse effect on the Company's financial position.

Theft

The Company is required to store precious metals, including gold bars, in and around its operating mines prior to their transportation to a refinery. The value of precious metals makes them an attractive target for theft. Although the Company uses its best efforts to ensure that valuable assets are safely guarded and stored, there can be no assurance that such assets will not be the target of thefts in the future. Any theft of precious metals in the future could have a material adverse effect on Goldgroup's business, financial condition and operations. The Company made specific changes to its controls and procedures in light of incidents of theft in 2007 and made capital expenditures aimed at significantly increasing security measures. To date, the Company has not had any repeat instances other than one minor instance in 2010.

Mineral Properties

Caballo Blanco Project

Unless otherwise stated, information of a technical or scientific nature related to the Caballo Blanco Project contained in this annual information form is summarized or extracted from the technical report entitled “NI 43-101 Technical Report Caballo Blanco Project and a Resource Estimate at the La Paila Zone” dated March 22, 2010 (the “Caballo Blanco Technical Report”), which is compliant with NI 43-101. The Caballo Blanco Technical Report was prepared by J. Cuttle, P. Geo, and G. Giroux, P. Eng. of Giroux Consultants Ltd. For a complete description of assumptions, qualifications and procedures associated with the information in the Caballo Blanco Technical Report, reference should be made to the full text of the Caballo Blanco Technical Report, which is available under Goldgroup’s profile on SEDAR at www.sedar.com.

The authors of the Caballo Blanco Technical Report are “qualified persons” for the purposes of NI 43-101 and are independent of Goldgroup, within the meaning of NI 43-101.

Project Description and Location

The Caballo Blanco Project covers an area of 19,650 hectares and is centered next to the Gulf of Mexico, 65 kilometres by paved road north northwest of the city of Veracruz in the state of Veracruz, Mexico.

As of November 3, 2009 the Caballo Blanco Project comprised fourteen contiguous mining claims and one separate fraction:

	CLAIM NAME	TITLE #	RECORDED	HECTARES
1	CABALLO BLANCO	216694	17-May-02	600.00
2	REDUCCION CABALLO BLANCO II	224414	04-May-05	504.81
3	CABALLO BLANCO III	218457	05-Nov-02	1,145.00
4	CABALLO BLANCO IV	218176	11-Oct-02	1,634.00
5	CABALLO BLANCO V	218955	28-Jan-03	450.00
6	REDUCCION CABALLO BLANCO VI	224415	04-May-05	1,014.17
7	REYNA NEGRA FRACCION 2	221152	03-Dec-03	65.9717
8	REYNA NEGRA FRACCION 3	221374	03-Feb-04	1,061.75
9	REDUCCION REYNA NEGRA F. 4	224416	04-May-05	25.15
10	CABALLO BLANCO VII	223282	23-Nov-04	231.78
11	CABALLO BLANCO VIII	223360	03-Dec-04	965.81
12	CABALLO BLANCO IX FRACCION 2	234277	10-Jun-09	663.18
13	CABALLO BLANCO IX FRACCION 3	234278	10-Jun-09	233.40
14	REY NEGRO	234279	10-Jun-09	17.69
15	C.B.2	234324	12-Jun-09	244.03

	CLAIM NAME	TITLE #	RECORDED	HECTARES
	CABALLO BLANCO IX	pending		12,802.00

Title to the above mineral claims is held by Minera Gavilán S.A de C.V., a wholly owned subsidiary of Almaden.

On November 23, 2009 Goldgroup entered into a share purchase agreement (the “Share Purchase Agreement”) with NGEx to acquire all of the issued and outstanding shares of 0788598 B.C. Ltd. (“Topco”). Topco, through its affiliate 0788601 B.C. Ltd. and its subsidiary, Minera Cardel, holds an option to acquire a 70% interest in the Caballo Blanco Project from a subsidiary of Almaden. The Share Purchase Agreement required Goldgroup to pay NGEx C\$6,000,000 in cash and nine million common shares of Goldgroup at a deemed price of C\$1.00 per share. Goldgroup has completed the required payments to NGEx and has acquired the option to earn the 70% undivided interest in the Caballo Blanco Project.

NGEx will receive a 1.5% NSR royalty and, upon commercial production, a one-time advance royalty payment in the amount of C\$5,000,000.

Under terms of an option agreement (the “Option Agreement”) dated May 31, 2007, Goldgroup may acquire a 70% undivided interest in the Caballo Blanco Project by funding up to C\$12,000,000 in exploration and development expenditures and completing a bankable feasibility study on or before May 31, 2013. As of March 31, 2011, Goldgroup has expended aggregate property related expenditures in excess of C\$12,000,000, which includes C\$8,200,000 of expenditures incurred by the previous option holder, NGEx. Upon earning its 70% interest, and after the completion of a bankable feasibility study, Goldgroup and Almaden, through its fully owned subsidiary Minera Gavilán S.A de C.V., holder of the remaining 30% of Caballo Blanco Project, shall each fund their share of all costs required for development and mining operations, 70% by Goldgroup and 30% by Almaden.

Pursuant to a Memorandum of Agreement Goldgroup entered into with Almaden and NGEx dated February 5, 2010, the Central Grid Zone will be transferred to a new entity (the “Copper Prospect Joint Venture”), to be owned 60% by Almaden and 40% by Goldgroup. The Copper Prospect Joint Venture will hold a 100% interest in the Central Grid Zone and will be operated by Almaden. The Central Grid Zone is not relevant to the resource estimate contained in the Caballo Blanco Technical Report.

Previous geological work on the project is confined to three general areas of interest, the Northern Zone, the Highway Zone and the Central Grid Zone. This work has involved minimal surface work including the building of small access roads and drill platforms. There are no known historical diggings or mining activities or any environmental liabilities known to the author of the Caballo Blanco Technical Report other than issues described below. Permits are in place to support a surface drill program from current drill roads in the Northern Zone.

NGEx, through its wholly owned subsidiary Minera Cardel has signed ‘land entry’ agreements with at least five private individuals that claim legal title to surface rights inside the Caballo Blanco Project claim block. All current agreements are with private landowners located in the Northern Zone area.

These agreements include annual payments for access to their lands as well as additional compensation for any disturbance Goldgroup may cause by geological surveying, road building and/or drilling activity. Legal rights to these lands have not been verified by the author of the Caballo Blanco Technical Report.

Several archaeological sites have been known or otherwise discovered during the recent geological work at the Caballo Blanco Project. The sites, which include old walls, wells, and flat hilltop excavations, are generally small but worthy of further study and classification. These areas have been reported to the Federal Mexican authorities and each is in the process of being studied and qualified for later classification. The author of the Caballo Blanco Technical Report does not believe these archaeological classifications will be at a level to severely impact future exploration work at the Caballo Blanco Project.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Veracruz is a major port and is well connected with daily flights to Mexico City and other national and international destinations. The project is best reached by driving north of Veracruz to Villa Rica, using the Pan American Highway which transects the eastern portion of the claim block. From here a network of dirt roads access most of the current areas of interest. New drill roads have been constructed to support recent drill campaigns, particularly in the Central Grid and Northern Zone areas.

The nearest supply centre is Cardel, a town of 20,000, located approximately 30 kilometres south of the Caballo Blanco Project claim block. Mining personnel would be available from Veracruz or Cardel. On the north-eastern edge of the project, at Laguna Verde, sits Mexico's only nuclear power plant, and would supply the project with an ample sources of electrical power when needed. Several small rivers and creeks draining the nearby coastal mountains would act as a local source of water.

A well organized field office and villa style accommodations house a small crew at the coastal community of Villa Rica.

The topography is semi-rugged with elevations from sea level up to 700 metres on the higher mountain tops. The climate is semi-tropical with a distinct rain season from June to November.

History

The first record of gold in the Caballo Blanco Project claim area dates to 1995 when Charlie Warren of Whitehorse, Yukon sampled a small quartz vein outcrop in a road cut along the Pan American Highway and staked several mineral claims covering what is known today as the Highway Zone.

The property was subsequently optioned to Almaden in 1997, which staked additional claims to cover the areas known as the Central Grid Zone and Northern Zone. Almaden completed a variety of geophysical, geochemical and geological surveys and drilled 17 reverse circulation drill holes in the Central Grid Zone 'porphyry' target.

In 2001, Almaden optioned the project to Noranda Inc. ("Noranda") which drilled nine core holes in the Highway and Central Grid zones and returned the project to Almaden later that year.

In December 2002, Almaden signed a joint-venture agreement with Comaplex Corp., (“Comaplex”) proposing to spend \$2,000,000 over four years to explore the Caballo Blanco Project claims. Comaplex carried out a variety of geological work throughout the property, targeting at the Central Grid Zone, the Highway Zone and the Northern Zone. From 2004 through 2006 Complex drilled ten core holes and in 2005 discovered wide low grade gold mineralization at La Paila in the Northern Zone. Comaplex completed the required expenditures of the joint venture agreement and went on to earn a 60% interest in the property. In February, 2007, Almaden purchased Comaplex’s 60% interest for a cash payment of \$1,250,000.

In April, 2007 Almaden optioned the Caballo Blanco Project to Canadian Gold Hunter Corp. (“Canadian Gold Hunter”) which in turn completed a variety of surveys and additional drilling in the Northern Zone and Central Grid areas under its Mexican subsidiary, Mineral Cardel S.A de C.V. From 2007 to 2009, 42 core holes were drilled, with at least 30 holes targeting the new gold area at La Paila discovered by Comaplex in 2005.

In September, 2009 Canadian Gold Hunter Corp. changed its name to NGEx Resources Inc.

Geological Setting

The Caballo Blanco Project is located at the intersection of the Trans-Mexican Volcanic Belt (at its eastern extremity) and the NNW-SSE trending Eastern Alkaline Province. Regionally the area is located over a tectonic high known as the Teziutlan Massif, which has a Paleozoic (metamorphic–intrusive–metasedimentary) basement. This massif divides the Tampico–Misantla Basin and the Veracruz Basin, respectively to the north and south. Such basement underlies marine Mesozoic rocks.

The Trans-Mexican Volcanic Belt (“TMVB”) has been defined as a continental magmatic arc formed by more than 8,000 volcanic edifices and a few intrusive bodies that extends from the Pacific to the Gulf coast in Central Mexico (1,000 km long and up to 230 km wide), with a general E-W orientation. The TMVB is controlled by a complex extensional tectonic regime, whose volcanic products are underlain by basements with widely different ages, compositions and thicknesses. Calc-alkaline and alkaline rocks are distributed all along the TMVB; however alkaline rocks (Na-K) tend to be more abundant at both the west and east ends of the TMVB.

The evolution of the TMVB is considered to be related to the reorientation of the magmatic arc and directly associated with the change in the general composition from felsic (Sierra Madre Occidental) to intermediate and mafic. This change has been considered as being related to the re-organization of the subduction system associated with large-scale tectonism during the early Miocene. In the middle Miocene (17-12 Ma), the volcanic arc extended to the east, to the coast of the Gulf of Mexico.

The Eastern Alkaline Province (EAP) was considered as an independent Cenozoic magmatic province with alkaline rocks, related to extensional faulting parallel to the Gulf of Mexico coast, extending from the state of Tamaulipas in the north southward to the Los Tuxtlas Range in the State of Veracruz. Originally, the EAP was interpreted as a progressively southward migration of alkaline volcanism from the Oligocene-Eocene in Tamaulipas to the Quaternary in Los Tuxtlas. However, based on recent data (dating and geochemistry), such kind of migration model is not likely nor is the mafic volcanism in Tamaulipas considered to be directly linked to magmatism in the Caballo Blanco Project. Based on new data, the volcanism near the Caballo Blanco Project area is more likely linked to the evolution of the

TMVB thanks to intra-plate tectonism of the EAP. Several geological episodes have been distinguished during the time evolution of the TMVB.

The Caballo Blanco Project lies at the eastern end of the TMVB and is underlain by sub-aerial basalts, andesites and diorite dykes of Miocene age that are in turn covered by a sequence of felsic quartz tuffs, andesitic 'dome' complexes, volcanoclastics and younger intrusive dacitic plugs. Capping the volcanic package are Pliocene alkaline basalt flows that are commonly well preserved as small flat highland plateaus.

At least three large areas of epithermal precious metal and porphyry style mineralization occur at Caballo Blanco Project, referred to as the Northern Zone, Highway Zone and Central Grid Zone. Mineralization is confined to altered varieties of upper Miocene andesitic domes and dacitic intrusives. A variety of geophysical, geochemical and geological surveys have been extremely useful in identifying drill targets at the Caballo Blanco Project.

Northern Zone: Geological mapping, rock chip sampling, geophysical surveying and core drilling have identified a large area of silica and associated silica clay alteration within an andesitic dome complex along the northern portion of the project. Altered feldspar andesites that host gold mineralization are spread over an area of 5kms by 4kms and occur in close association to a prominent magnetic ring structure with at least five prominent silica caps forming distinct 600 metre high hilltops. Rock exposures in these areas include mixtures and overprints of classic vuggy, brecciated and or massive silica with associated and flanking haloes of advanced argillic to argillic alteration. These diverse clay alteration zones have been identified and mapped in part using a TerraSpec spectrometre. Drill testing at three of these 'silica cap' features, La Paila, Bandera and La Cruz, suggest that acid leaching from hydrothermal fluids extend to depths of over 300 metres. The Red Valley target lies at lower elevations on the outside fringe of the circular ring feature and has been identified with soil geochemistry. This area has yet to be drill tested.

Gold mineralization at La Paila is very fine and occurs within vuggy and brecciated silica alteration of the original andesitic flows and domes. The ore is clean and has little if any mercury, or arsenic signatures. Drill core intervals contain significant gold mineralization with assays up to 2.19 g/t Au over 89.91 metres.

Highway Zone: This area is roughly 3kms by 4kms in size and is located along the eastern edge of the Caballo Blanco Project where road cuts for the Pan American Highway first exposed strong argillic alteration and small quartz veins that form part of the original discovery in 1995.

Alteration of the local dacitic tuffs and volcanoclastic host rock is very similar to the Northern Zone, located approximately 10 kilometres to the north northwest. Various geophysical and geochemical surveys suggest that high resistivity anomalies combined with extensive silica and silica-clay alteration coincide with the inner 'haloes' of a high-sulphidation epithermal system.

Several areas of vuggy silica alteration have been identified by geophysical and geological means in the southern area of the Highway Zone however the area is large and remains a valid exploration target for the future. Encouraging drill core assays from a hole collared in 'flanking' clay alteration zones intersected several gold bearing zones grading up to 1.42 g/t Au over 6 metres at the bottom of the

hole. Examples like these and other isolated resistivity anomalies approximately two kilometres to the north of this drilling suggest significant potential remains open for additional work.

Central Grid Zone: The Central Grid Zone hosts at least two porphyry copper-gold intrusive monzodioritic plugs of unknown size that intrude basalt and quartz eye dacite tuffs. The intrusive rock carries varying amounts of pyrite, chalcopyrite, minor bornite and gold with noticeable overprints of potassic and later phyllic alteration assemblages. Numerous lead-zinc-copper and lesser silver rich quartz vein float have been mapped and sampled over a rough area of 3kms by 2kms suggesting a possible zonation around the porphyry plugs or possibly identifying a completely younger mineralizing event.

Additional work by Almaden and Canadian Gold Hunter conclude that both Pedrero and Porvenir prospects in the Central Grid area are likely related but have been eroded to greater depths than elsewhere on the Caballo Blanco Project, exposing the tops of the underlying porphyry dioritic to monzodioritic plutons.

Exploration

From 1995 to 2005 Almaden, Noranda and Comaplex conducted a variety of geochemical rock sampling, induced polarization resistivity and chargeability and geological mapping surveys. Follow-up on anomalies developed from these surveys included drilling a total of 34 holes for 6446 metres of drilling.

During 2006 to 2008, Canadian Gold Hunter through Minera Cardel completed a large number of field programs, commencing with the hiring of two key, experienced Mexican technical / management staff and the complete up grading of the project headquarters at Villa Rica.

Regionally, an aerial photographic survey was completed over the northern two-thirds of the claim block from just south of the town of Tinajitas extending almost to the town of Palma Sola in the north. This area encompasses all of the known zones of significant mineral potential on the property. Initially, the survey was flown in late July 2007 but some cloud cover necessitated re-flying the ground in November.

In January 2008, the geophysics department of the Servicio Geologico de Mexico (“SGM”) completed a helicopter-borne magnetic and radiometric survey (60-metre instrument terrain clearance) over the northern half of the property. SGM was chosen for the survey based on their technical qualifications and the fact that SGM, as a state organization, was able to fly within the five-kilometre, no-fly zone around the Laguna Verde nuclear power plant. The survey overlapped by three kilometres an earlier airborne magnetic, radiometric and resistivity survey completed by Aerodat (now Fugro) over the southern half of the claims in 1997.

During the 2007 and 2008 field seasons, two qualified contract geologists conducted regional mapping over the claims and also mapped the Cerro La Paila gold target in detail. An experienced prospector spent four weeks in March and April 2008 following up on specific areas of interest identified by the geological team.

Extensive detailed exploration was carried out on the three principal gold and copper-gold targets on the property – the Northern, Central Highway and Central zones. Work included new road construction to gain access to Cerro La Paila and the northern portion of the Central Grid Zone to facilitate ground surveys and drilling, up-grading of old roads to access El Porvenir and construction of trails to access more difficult areas for the portable drill rig.

Drilling

From 2007 to 2009 Minera Cardel drilled a total of 42 core holes concentrating primarily on testing for epithermal gold mineralization at La Paila, Bandera and La Cruz areas in the Northern Zone (30 holes) as well as testing for porphyry mineralization 12 kilometres to the southwest at Pederero and El Porvenir areas in the Central Grid Zone (12 holes).

The author of the Caballo Blanco Technical Report believes that the many methods of collecting and presenting all the historical geological data obtained by various companies since 1995 have been of high calibre.

The Caballo Blanco Technical Report tries to consolidate an overall picture of the Caballo Blanco Project with particular focus on gold mineralization in the Northern Zone area. Other encouraging geological targets at the Highway Zone and the Central Grid Zone have been broadly identified although specific descriptions of these areas are beyond the scope of the Caballo Blanco Technical Report.

La Paila Drilling: Besides the mineralized rock chip samples and extensive alteration assemblages found on the top and along the upper slopes of Cerro La Paila, the first real significant gold mineralization associated with this alteration was intersected in drill hole CB05-03 by Comaplex in 2005. The discovery hole cut 58 metres grading 1.772 g/t Au and is located at relatively shallow depths along the north end of an irregular northerly trending body of vuggy silica breccia.

Over the next four years, a total of thirty three core holes were drilled, targeting the extents of the low-grade bulk mineable gold at La Paila. These drill holes were collared along 50 metre and 100 metre sections extending over a horizontal distance of 800 metres to the north, 280 metres east and extend to vertical depths of 200 metres above sea level. The principal unit hosting the gold mineralization outcrops at surface in the north end of the property and may plunge gently to the south. It is not clear however if this perceived plunge of the gold zone at La Paila is the direct result of local block faulting or subject to insufficient drill data. To date true widths have not been calculated for any composites at Caballo Blanco Project.

Mineralization

The Caballo Blanco Project includes at least two distinct deposit types, defined as high-sulphidation epithermal gold and porphyry copper gold.

In the Northern Zone and Highway Zone, gold mineralization is associated with vuggy silica breccia surrounded by large and distinct haloes of various types of clay alteration. The elongate and silicified gold rich mineralization at La Paila likely formed from fluid rising along a north trending fault structure well above a deeper intrusive 'heat source'. Similar silica and clay alteration zones and or soil

anomalies have been recognized at La Cruz, Red Valley and Highway Zone, all of which lie along a north-south linear trend greater than nine kilometres in length.

Drill core at the Central Grid Zone shows that the Porvenir and Pedrero porphyry copper prospects are located on dioritic and monzodioritic stocks surrounded by andesitic and basaltic country rocks. These two prospects likely formed similar argillic haloes to the La Paila gold zone however the level of erosion here is much deeper, and currently reveals the underlying porphyry plugs and associated potassic alteration in the host rock.

Sampling and Analysis

At least four different companies have completed drill programs at Caballo Blanco Project. Early reverse circulation drilling by Almaden in 1998 concentrated on the Central Zone 'Porphyry' target and in 2002, Noranda and Almaden drilled nine holes in the Central Grid and Highway Zones. More recently, Comaplex and Canadian Gold Hunter have completed an additional 52 core holes, principally targeting the Northern Zone area at or near La Paila and to a lesser extent at the Central Grid and Highway Zones in the central and southern part of the claims.

For the purpose of this Circular the sampling procedures used by Canadian Gold Hunter geologists on 32 of the 38 drill holes in the Northern Zone are described in the following paragraph. Sampling methods by Comaplex for the other six holes in the Northern Zone are unknown at this time.

A variety of HQ, NQ and / or BQ size drill core was delivered daily from the drill rig to Goldgroup's on-site core logging and storage facility near the small community of Arroyo Agrio in the north-eastern part of the claim block. Geotechnical and geological data was then recorded by geologists, including specific gravity, rock quality designation, alteration defined by spectrometre readings and specific geological rock type. Core samples were selected and marked by company geologists, with technicians later using a diamond saw to half the core and secure each sample with self locking clips. Sample lengths varied generally from 1 to 3 metres long and up to 6 metres in length. They were chosen primarily along on recognized alteration or lithological boundaries. Three different standard reference samples, as well as locally derived 'blank' material and core duplicates were inserted into each lab shipment in regular frequency; generally a different standard reference material every 20 samples, a blank every 80 samples and core duplicates every 20 to 30 samples.

The core samples were sent to ALS Chemex preparation Lab in Guadalajara, Mexico where they were dried and crushed to minus 150 mesh and the pulps were then air couriered to ALS Chemex Laboratories in North Vancouver, British Columbia. Each sample was then dissolved in an aqua regia leach and analyzed for gold by fire assay methods and 35 other trace elements by ICP – MS methods (inductively coupled plasma with mass spectroscopy).

The three different standard reference materials used in this drilling campaign were purchased from CDN Resource Laboratories Ltd. in Vancouver, British Columbia by Minera Cardel. Control charts suggest most of the assay data on these three different standards fall within two standard deviation of the norm. Specific outliers exist just outside 2SD, however these are not considered influential to the overall data package.

- Standard P1 – 6% or 3 samples out of 49 – above / below 2SD

- Standard 3C – 4% or 2 samples out of 48 – above / below 2SD
- Standard P7A – 4% or 2 samples out of 46 – above / below 2SD

Source material for the 48 blanks inserted into the assays in the Northern Zone comes from two locations. Inserts into assay shipments for drill holes CB06-01 to CB-06-03 and 07CBN-01 to 08CBN-05 used local blank gravel and inserts for holes 08CBN-06 to 09CBN-042 used previously drilled core from barren andesite in the Northern Zone. Exact location and the average reference analysis of the barren andesite inserts and local gravels are unknown; however assay data on the blanks generally vary from minimum detection of less than 5 parts per billion gold (“ppb”) to 44ppb gold with 3 samples above two standard deviation of 31ppb gold. These outliers are not considered problematic.

Although 3 outlier samples from 141 duplicates show abnormal results, the duplicate assaying program reflects an acceptable degree of correlation. Sample preparation and general analytical procedures are adequate for the core drilling at Caballo Blanco Project.

Five rock samples were collected by the author of the Caballo Blanco Technical Report, one rock chip sample from surface exposure of the gold zone at La Paila and four rock samples from mineralized intervals in four drill holes at La Paila. The rocks were later hand delivered to Acme Labs of Vancouver for analysis.

The five check assays show good correlation to previous assays obtained by Canadian Gold Hunter and verifies that gold mineralization does exist at ‘point’ locations in drill core and surface exposures at the La Paila Area. No other samples were taken by the author of the Caballo Blanco Technical Report outside the La Paila area.

Security of Samples

The author of the Caballo Blanco Technical Report believes sample security to be adequate for the core drilling at Caballo Blanco Project. A complete library of split core remains protected inside a fenced compound near the small village of Arroyo Agrio.

Mineral Resource Estimate

A resource estimate was completed for the La Paila zone on the Caballo Blanco Project by Giroux Consultants Ltd. The data base consisted of 3,444 assays from 33 diamond drill holes. A combined 7,010 m was sampled.

Twenty-nine Au assays reported as blanks and 2 reported as 0.000 were set to 0.001 g/t Au. Sixty-five silver assays reported as blank were set to 0.1 g/t Ag. Two gaps in the assay record were found and values of 0.001 g/t Au and 0.1 g/t Ag were inserted.

Qualified Person, as defined in NI 43-101, Jim Cuttle has created a three dimensional solid model based on the silica breccia as identified in drill logging. La Paila is considered a high sulphidation epithermal system with fine gold hosted within a massive silica breccia alteration of an andesitic host. The entire mineralized host is oxidized to depths of at least 300 metres.

Geologic continuity has been established through drill core logging and geologic mapping. The geologic solid based on silicified breccia is used to constrain the resource estimate. Grade continuity

can be quantified by the semivariogram for each variable. By tying the search ellipse to the semivariogram range, the blocks estimated during pass 1 and pass 2 with up to ½ the semivariogram range used are considered Indicated. The drill hole density is not sufficient to establish any blocks at measured at this time. All other blocks were considered Inferred. The resource is tabulated below at a range of gold cut-offs. No economic studies have been completed to the date of this prospectus, so a true economic cut-off is unknown. A cut-off of 0.2 g/t Au has been highlighted as a possible open pit cut-off.

LA PAILA DEPOSIT INDICATED RESOURCE

Au Cut-off (g/t)	Tonnes > Cut-off (tonnes)	Grade>Cut-off		Contained Metal	
		Au (g/t)	Ag (g/t)	Au (ozs)	Ag (ozs)
0.10	7,420,000	0.599	1.89	143,000	450,000
0.20	6,710,000	0.645	1.92	139,000	410,000
0.30	5,230,000	0.757	2.02	127,000	340,000
0.40	4,040,000	0.878	2.21	114,000	290,000
0.50	3,120,000	1.004	2.37	101,000	240,000
0.60	2,610,000	1.095	2.43	92,000	200,000
0.70	2,070,000	1.210	2.51	81,000	170,000
0.80	1,670,000	1.321	2.54	71,000	140,000
0.90	1,350,000	1.435	2.55	62,000	110,000
1.00	1,150,000	1.518	2.57	56,000	100,000
1.10	950,000	1.616	2.67	49,000	80,000
1.20	770,000	1.726	2.69	43,000	70,000
1.30	690,000	1.780	2.76	39,000	61,000
1.40	590,000	1.849	2.88	35,000	55,000
1.50	440,000	1.990	2.97	28,000	42,000

LA PAILA DEPOSIT INFERRED RESOURCE

Au Cut-off (g/t)	Tonnes > Cut-off (tonnes)	Grade>Cut-off		Contained Metal	
		Au (g/t)	Ag (g/t)	Au (ozs)	Ag (ozs)
0.10	31,420,000	0.531	1.79	536,000	1,810,000
0.20	27,600,000	0.583	1.84	517,000	1,630,000
0.30	22,710,000	0.655	1.86	478,000	1,360,000
0.40	17,810,000	0.738	1.91	423,000	1,090,000
0.50	13,280,000	0.837	2.02	357,000	860,000
0.60	10,070,000	0.931	2.14	301,000	690,000
0.70	7,650,000	1.021	2.21	251,000	540,000
0.80	5,910,000	1.100	2.30	209,000	440,000
0.90	4,500,000	1.179	2.37	171,000	340,000
1.00	3,140,000	1.278	2.42	129,000	240,000
1.10	2,120,000	1.391	2.42	95,000	160,000
1.20	1,340,000	1.530	2.42	66,000	100,000
1.30	870,000	1.687	2.35	47,000	70,000
1.40	630,000	1.816	2.27	37,000	50,000
1.50	520,000	1.898	2.17	32,000	40,000

Metallurgy

As part of Goldgroup's 2009 due diligence work at the Caballo Blanco Project, Goldgroup cut eight samples from previously split drill core from the La Paila Zone. These samples were taken to represent different ore characteristics from low grade (<0.5 g/t Au), to medium grade (0.5 to 1.5 g/t Au) and high grade material (>1.5g/t Au).

The samples were crushed to -1/2 inch and were leached for 144 hours by standard 'bottle roll' with cyanide solutions at Goldgroup's in-house facility. Results show that the five samples with head grades below 1 gram gold gave high recoveries within 24 to 48 hours, while three samples above 1 gram gold gave slower recovery after the 144 hours. The three higher grade samples were then crushed to -1/4 inch and run for a further 48 hours improving their recoveries to 74.5%, 89% and 91%. Recoveries for the low grade material were close to 100%.

These initial bottle rolls indicate that the ore is highly amenable to leaching. The gold ore is totally oxidised to at least 300 metres depth and is benign in leaching since there appears to be no other minerals or deleterious materials present. This indicates low reagent consumption in the commercial heap leach process.

The initial 'bottle roll' test work described in this section for La Paila is preliminary in nature and may not be representative of true recoveries obtained in the future.

Exploration

A variety of geophysical, geochemical and geological surveys have been extremely useful in identifying drill targets in and around the Northern Zone; most importantly airborne magnetic, IP resistivity high anomalies, clay alteration haloes identified by a TerraSpec spectrometre, location of mineralized surface rock geochemistry and detailed geological and structural mapping. These surveys have not only been used successfully to outline a classic zonation of clay minerals representative of a large epithermal system but they have most importantly been useful in defining zones of silica flooding and associated gold mineralization. These surveys should remain principle exploration tools for future work at Caballo Blanco Project.

The mineralized zone at La Paila requires additional drilling to improve or upgrade the category of the current resource estimation. The author of the Caballo Blanco Technical Report believes the likelihood of finding more gold ounces at La Paila is good and several areas to the south east and west remain open for drill testing. At least five drill holes were stopped in mineralization and later lost because of poor drilling conditions. Assay results from these holes as well as other neighbouring drill hole intercepts are very encouraging and suggest that additional drilling in the future will be able to widen these 'incomplete intercepts' and likely 'upgrade' the quantity of ounces in the resource base at La Paila. The following list identifies assays from drill holes at La Paila that stopped in mineralization, located at the end of larger mineralized composites:

- Section 3800N, 08CBN-016 – 0.424 g/t Au, 215 g/t Ag from 195.07 to 201.17 EOH.
- Section 4000N, 08CBN-013 – 1.11g/t Au from 115.21 to 118.26 EOH
- Section 4200N, 08CBN-011 – 1.02g/t Au from 185.32 to 189.89 EOH
- Section 4250N, 08CBN-009 – 2.09g/t Au from 133.50 to 135.03 EOH
- Section 4250N, 09CBN-034 – 0.554g/t Au from 124.66 to 152.10 EOH

Access roads and drill pads have been constructed at La Paila that will allow future drill programs to easily test and further define the east and west flanks of the north trending mineralized zone. Roads will have to be constructed to test southern extensions to mineralization.

Recent exploration work at Caballo Blanco Project has identified at least eleven other areas outside of the La Paila zone that justify further geological work. These areas include; four large IP resistivity high anomalies on the inner flanks of a 3 kilometre round magnetic high 'ring structure' in the Northern Zone; strong 'acid' PH anomalies 1.5 kilometres west of La Paila in the Northern Zone; three separate areas where isolated rock chip samples assay up to 14.6 grams per tonne gold along the northwest and south portions of the Caballo Blanco Project; and three other separate areas with encouraging 'new' soil anomalies, extensive rock alteration, untested IP chargeability anomalies at Red Valley, Highway Zone and Central Grid Zone respectively.

San José de Gracia Project

Unless otherwise stated, information of a technical or scientific nature related to the San José de Gracia Project contained in this annual information form is summarized or extracted from the technical report entitled "NI 43-101 Technical Report on the San José de Gracia Project and Resource Estimates on the Tres Amigos, San Pablo, La Union, La Purisima Zones" dated March 22, 2010 (the "San José de Gracia Technical Report"), which is compliant with NI 43-101. The San José de Gracia Technical Report was prepared by J. Cuttle, P. Geo., and G. Giroux, P. Eng. of Giroux Consultants Ltd. For a complete

description of assumptions, qualifications and procedures associated with the information in the San José de Gracia Technical Report, reference should be made to the full text of the San José de Gracia Technical Report, which is available under Goldgroup's profile on SEDAR at www.sedar.com.

The authors of the San José de Gracia Technical Report are "qualified persons" for the purposes of NI 43-101 and independent of Goldgroup, within the meaning of NI 43-101.

Project Description and Location

The San José de Gracia Project is located in the northeast portion of Sinaloa State, Mexico, approximately 120 kilometres east northeast of the coastal city of Los Mochis clearly straddling the Sinaloa-Chihuahua border. The bulk of the historical mine workings within the current property boundary and the four areas of mineral resource (Tres Amigos, San Pablo, La Union and La Purisima) are located in the south-western portion of the claim block, approximately two to four kilometres northeast of the town of San José de Gracia.

The San José de Gracia Project consists of 34 contiguous mineral concessions located on map sheet G13-A81 in the Culliacan mining district of Sinaloa State, Mexico. The claims cover an area approximately 99,141 hectares in size. Title to the San José de Gracia Project is held by DynaMexico.

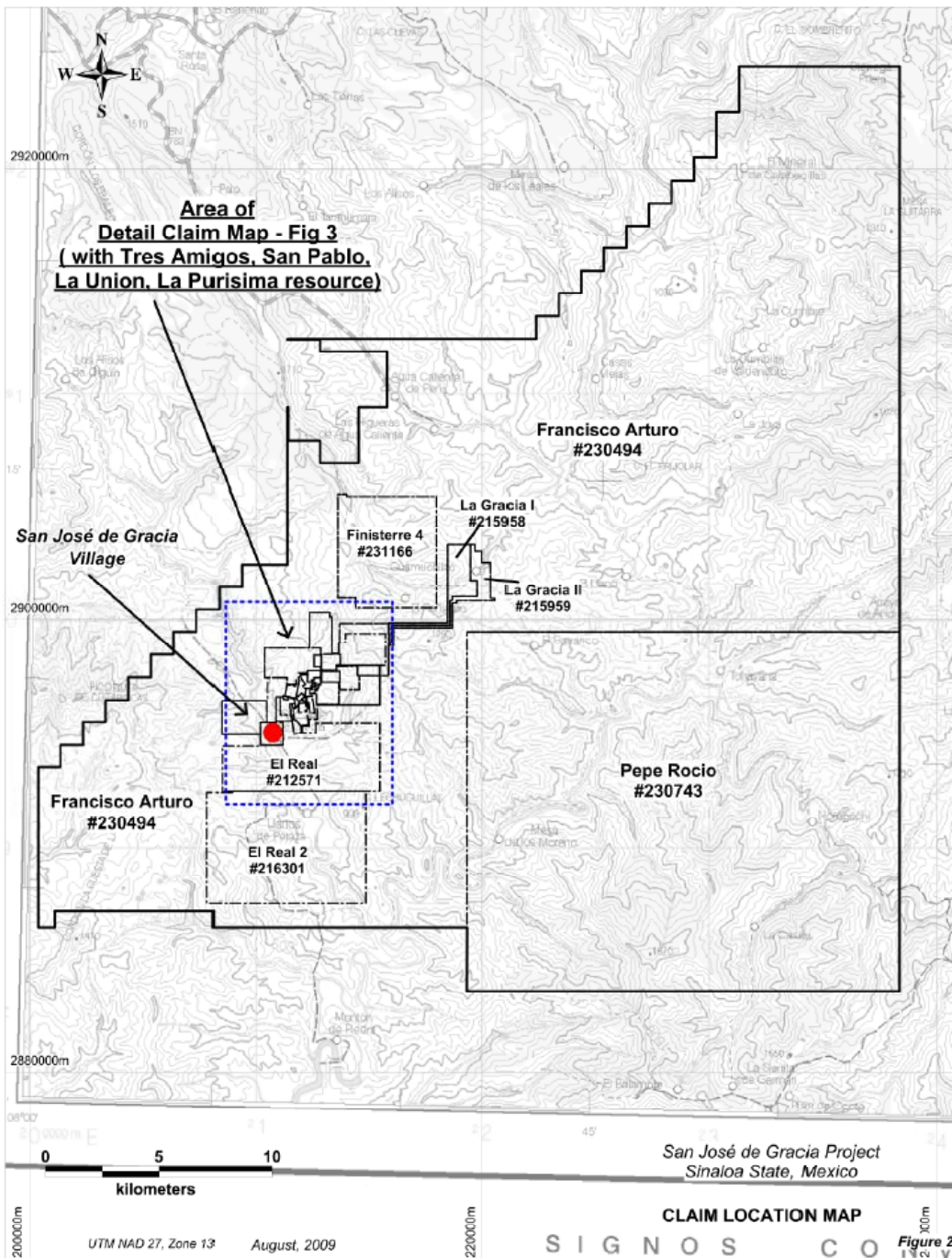
The author of the San José de Gracia Technical Report is not aware of any environmental liabilities related to the San José de Gracia Project.

Current Land Concessions - San José de Gracia - 2009

Claim Name	Claim Number	Staking date	Expiry	Hectares	Taxes/ha (pesos)
AMPL.SAN NICOLAS	183815	22/11/1988	21/11/2038	17.4234	111.27
AMPL.SANTAROSA	163592	30/10/1978	29/10/2028	25.0000	111.27
BUENA VISTA	211087	31/03/2000	30/03/2050	17.9829	63.22
ELCASTILLO	214519	02/10/2001	01/10/2051	100.0000	31.62
EL REAL	212571	07/11/2000	06/11/2050	2037.9479	63.22
EL REAL 2	216301	30/04/2002	29/04/2052	280.1555	31.62
FINISTERRE FRACC.A	219001	28/01/2003	27/01/2053	18.7856	31.62
FINISTERRE FRACC.B	219002	28/01/2003	27/01/2053	174.2004	31.62
GUADALUPE	189470	05/12/1990	04/12/2040	7.0000	111.27
LAGRACIAI	215958	02/04/2002	01/04/2052	300.0000	31.62
LAGRACIAII	215959	02/04/2002	01/04/2052	230.0000	31.62
LALIBERTAD	172433	15/12/1983	14/12/2033	97.0000	111.27
LA NUEVA AURORA	215119	08/02/2002	07/02/2052	89.3021	31.62
LA NUEVA ESPERANZA	226289	06/12/2005	05/12/2055	40.0000	7.6
LAUNION	176214	26/08/1985	25/08/2035	4.1098	111.27
LOSTRES AMIGOS	172216	27/10/1983	26/10/2033	23.0000	111.27

Claim Name	Claim Number	Staking date	Expiry	Hectares	Taxes/ha (pesos)
MINA GRANDE	163578	10/10/1978	09/10/2028	60.6588	111.27
NUEVO ROSARIO	184999	13/12/1989	12/12/2039	32.8781	111.27
PIEDRA DE LUMBRE2	215556	05/03/2002	04/03/2052	34.8493	31.62
PIEDRA DE LUMBRE3	218992	28/01/2003	27/01/2053	4.3098	31.62
PIEDRA DE LUMBRE No.4	212349	29/09/2000	28/09/2050	0.2034	63.22
PIEDRA DE LUMBRE UNO	215555	05/03/2002	04/03/2052	40.2754	31.62
SAN ANDRES	212143	31/08/2000	30/08/2050	385.0990	63.22
SAN JOSE	208537	24/11/1998	23/11/2048	27.0000	111.27
SAN MIGUEL	183504	26/10/1988	25/10/2038	7.0000	111.27
SAN NICOLAS	163913	14/12/1978	13/12/2028	55.5490	111.27
SAN SEBASTIAN	184473	08/11/1989	07/11/2039	40.0000	111.27
SANT AMARIA	218769	17/01/2003	16/01/2053	4.2030	31.62
SANTA ROSA	170557	13/05/1982	12/05/2032	31.4887	111.27
SANTO TOMAS	187348	13/08/1986	12/08/2036	312.0000	111.27
TRES AMIGOS 2	212142	31/08/2000	30/08/2050	54.4672	63.22
FINISTERRE 4	231166	18/01/2008	17/01/2058	2142.1302	5.08
PEPE ROCIO	230743	05/10/2007	04/10/2057	30020.0000	5.08
FRANCISCO ARTURO	230494	06/09/2007	27/03/2057	62481.3815	5.08
TOTAL				99141.4010	

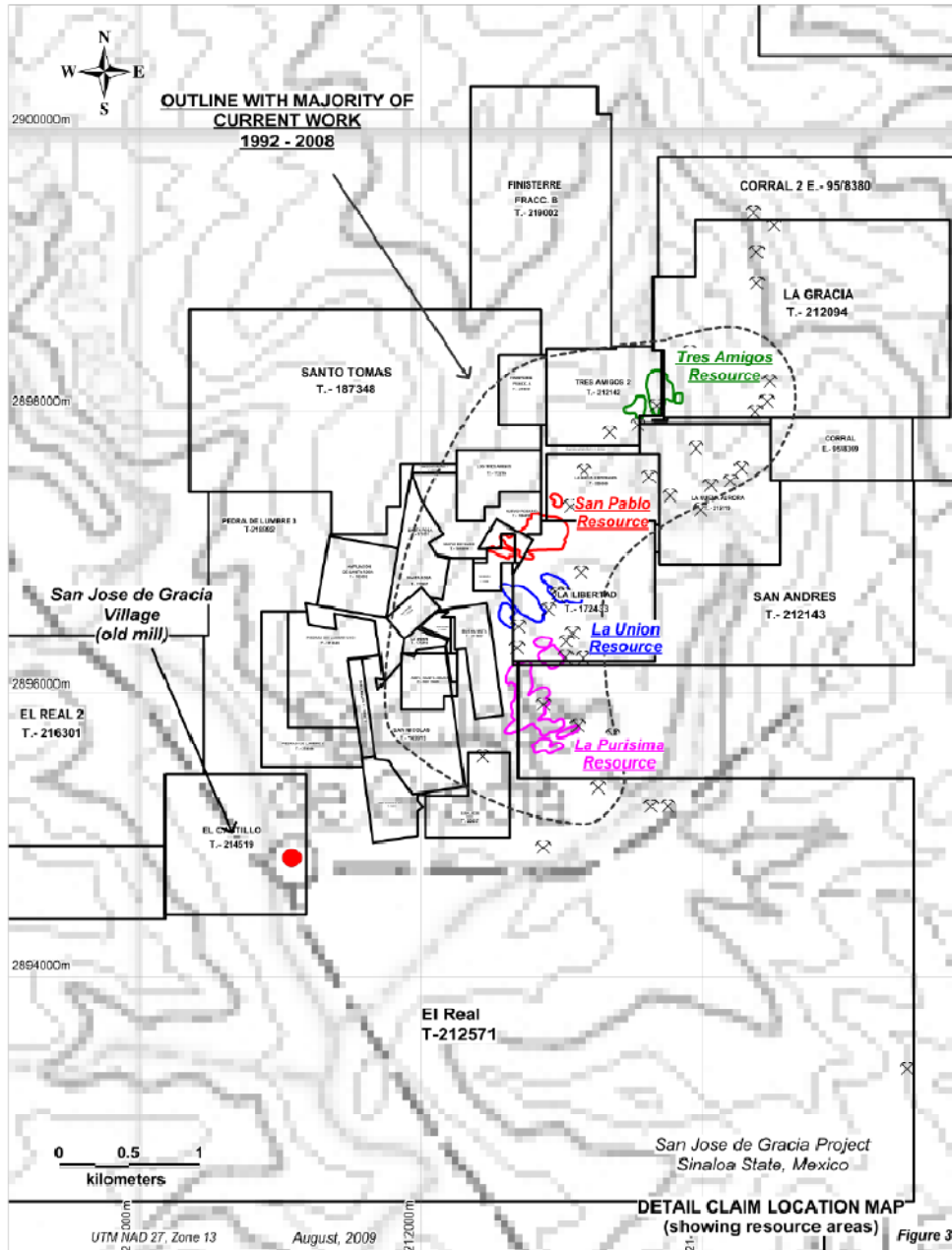
Surface rights access has been granted to DynaMexico by the “El Ejido Santa Maria” in a Land Occupation Agreement dated May 12, 2002 and covering a 30 year period.



The property is 100% owned by DynaMexico which, as of March 31, 2011, is 50% owned by DynaResource Inc. (“DynaUSA”), a Delaware company, and 50% owned by Goldgroup. Under terms of an earn-in agreement (the “Earn-in Agreement”) dated September 1, 2006, Goldgroup has acquired 50% of DynaMexico in four phases, between September 2006 and March 2011, by funding \$18,000,000 in exploration and development expenditures on the San José de Gracia Project. Pursuant to the Earn-in Agreement Goldgroup deposited the funds into a segregated DynaMexico bank account in Mexico. Expenditures from the segregated account were authorized by a management committee comprised of two Goldgroup appointees and one DynaUSA appointee. The new board of DynaMexico will be comprised of five members with DynaUSA and Goldgroup each appointing two members and mutually agreeing

on one additional member. The Company is currently in the process of changing the structure of ownership and operations as a result of obtaining the 50% equity interest on March 14, 2011.

Mineras de Dyna Resource has been named the exclusive operating entity for the project under an operating agreement with DynaMexico.



Accessibility, Topography, Climate, Local Resources and Infrastructure

Access to the claim area is by paved road from Los Mochis to the small town of Sinaloa de Leyva then by gravel road to the village of San José de Gracia (population 250), roughly a five hour trip. A gravel airstrip on the property nearby the town of San José de Gracia is suitable for light aircraft. Air charters are available at the airport in Los Mochis.

The topography is generally rugged with elevations varying from 400 metres in the valley bottoms to over 1,600 metres in the higher Sierra. A network of small roads and tracks winds their way around areas nearer the old workings at San José de Gracia Project, however access to the remainder of the property is difficult without the use of horse or helicopter.

The climate is semi-tropical with a rainy season from late June through October. Summer temperatures reach 40 degrees Celsius with high humidity while the winter temperatures are cooler with night-time lows of five degrees Celsius. Rains in the wet season can range from gentle late afternoon/early evening showers to strong rains, which can last for a few days. Precipitation averages 550 millimetres annually.

The village of San José de Gracia has very limited services. There is no grid electricity supply or running water and the few stores offer minimal goods. The project produces its own diesel-generated power for the mine site and mill and has developed a water supply. The mine site area has accommodation facilities for about 50 persons. DynaMexico maintains an administrative and logistics office in Guamuchil and the project sources many of its supplies there, in Los Mochis and in Culiacan. Although there is a satellite dish installed at the site, communications from the site to Guamuchil relies on a radio link using a repeater station in the Sierra Madre foothills.

During the property visit in May, 2009 by the author of the San José de Gracia Technical Report, the San José de Gracia Project hosted a camp staff of 10-15 people, including geologists, local field helpers, consultants, security and cooks and cleaners. Most of these employees come from outside of the community.

History

Exploration and mining activity at San José de Gracia Project dates back to 1828 when gold mineralization was first discovered by Spanish explorers. During the next eighty years over sixty gold occurrences were uncovered, of particular importance the Purisima and La Preita vein structures that were recorded to host high grade gold up to 3.4 ounce per tonne. The peak period of production from the San José de Gracia camp occurred from 1890 to 1910 when an estimated one million ounces of gold was produced from the La Purisma and La Prieta areas. Other smaller mines that contributed to this production were Palos Chinos, San Pablo, Tres Amigos, La Ceceña, La Union, La Parilla, Veta Tierra, Santa Rosa, Eduwiges and Los Hilos Mines.

Mining did not resume immediately after the Mexican Revolution in 1910 due to several logistical problems. It was not until the 1970s when the first road to San José de Gracia was opened, allowing Compania Rosarito to produce gold from the Palos Chinos, San Pablo, Tres Amigos and La Union mines from 1978 to 1994. Several other mining companies including Asarco and Peñoles had attempted, unsuccessfully to consolidate the tightly held mining concessions.

In 1996, Golden Hemlock acquired a controlling interest in the property through Minera Finisterre S.A. de C.V. and later carried out a substantial drill program. DynaMexico was formed by DynaUSA in 2000 to acquire and consolidate ownership of the San José de Gracia Project and by the end of 2003 had completed the acquisition of 100% of the San José de Gracia Project. In 2003 DynaMexico began small scale underground mining at San Pablo, producing 18,250 ounces of gold from 42,000 tonnes of material before ceasing operations in 2006.

San Pablo Area

Mining activity at the San Pablo prospect is a relatively recent event with the majority of the work and exploration at this site occurring from the 1980s to recent times. The prospect outcrops prominently along the edge of a more resistant gossanous hilltop, known as the 'Gossan Cap'. In 1992 and 1997 Peñoles and Golden Hemlock focused their work primarily on drilling shallow holes near to the top of the ridge and just beneath the Gossan Cap.

In 2003 DynaMexico opened and refurbished an old drift located approximately 60 metres below the cap where at least one vein structure is exposed over a strike length of 135 metres and vertical extent of 40 metres. At this location DynaMexico produced 18,250 ounces of gold from 42,000 tonnes of production from selected high grade "pockets" of ore over a 3½ year period. These are historic estimates only and may not be considered reliable.

DynaMexico's activities were limited in scope and in need of guidance. The operation was based on previous production records, underground sampling and a very small amount of diamond drilling by past operators. There was no formal mine plan and day to day operations were sustained by advance on the vein as directed by the mine geologist and foreman. Mining was being carried out by drifting along the strike of the vein on multiple levels with up-dip mining of the vein between the strike drift. The strike drifts were interconnected by ramps and approximately 50% of the vein was left in pillars between the strike drifts. All mining was completed by jackleg and LHD units, which trammed the ore to a stockpile at the portal, a distance of several hundred metres. Dilution of the mineralized veins was estimated to be 40 to 60% in the drifts along strike due to the narrow width of the veins relative to the strike-heading dimensions (3 - 3.5 metres).

Recent Production – San Pablo Vein – DynaMexico (2003 – 2006)

Period	Total Production (tonnes)	Reported Mill Grade (g Au/t)	Reported Recovery	Gold Production (oz)
2003	7,500	25	~90%	5,000
2004	13,500	25	~85%	7,500
2005	17,500	15	~75%	5,000
2006 (Jan. to June)	3,500	15	~75%	750
Total	42,000	~20	~85%	18,250

It was not until 2007 when a fan of holes was drilled below the current underground workings that the continuation of the San Pablo shoot was discovered.

Tres Amigos Area

Tres Amigos is a relatively new prospect, located 1.2 kilometres northeast of San Pablo. Exploration and mining activity was not documented in detail until the late 1990s when Golden Hemlock drilled 26 core holes along the flanks of two intersecting mineralized vein trends. The main Tres Amigos trend strikes northeast at 060 and dips variably from 30° to 45° to the northwest. A second intersecting structure known as the Orange Tree strikes northwest at 310 and dips 35° to 45° to the southwest.

In 2001, DynaMexico collected a 500 kilogram bulk sample of stockpiled ore from the lower adit level of Tres Amigos as well as three 5-15 kilogram samples from quartered drillcore in holes drilled in 1997 by Golden Hemlock.

La Purisima

The La Purisima trend represents the area of greatest past production at San José de Gracia with over 471,000 ounces of gold produced from highly oxidized, high grade (66.7 g/t Au) quartz veins in the Anglo, Rosario and La Cruz deposits on Purisima Ridge. The author of the San José de Gracia Technical Report cautions that these are historic estimates only and may not be considered reliable. Mining of the La Purisima trend exploited a southeast striking, moderately (45-50°) southwest dipping quartz vein system along a 1.25 kilometre strike length and 400 metres down dip (250 metre vertical). Based on the spacing of orebodies along the La Purisima trend, it appears that the mines were exploiting high grade, southwest plunging ore shoots that developed at regular intervals along the trend of the vein system. The orientation of workings in the Anglo Mine suggests that this mineralized zone may have formed at the intersection of southeast and southwest trending vein systems, with the southwest trending veins extending towards mineralization of the La Parilla to Veta Tierra trend.

La Union Area

The La Union mine is part of the larger La Parilla to Veta Tierra trend that in total comprise five southwest striking, northwest dipping (50-70°) veins (Veta Teirra, Sta Eduwiges, La Union, La Mochemara, La Parilla) traced over a 700 metres strike length. The down dip continuity of the veins within this trend has been confirmed by two phases of drilling by Peñoles in 1992 and by Hemlock in 1997. In addition to down dip potential, the vein is interpreted to coalesce at deeper levels into a central feeder vein, which may host significant gold mineralization through increased vein widths and the development of structurally controlled shoots.

Recent drilling by DynaMexico, utilizing technical personnel contributed by Goldgroup and contracted by Mineras has targeted gold mineralization along this trend, which can be highlighted most notably by hold 08-76 that assayed 36.09 g/t Au over 2.10 metres from 32.75 to 34.85 metres depths. The drill hole location is approximately 100 metres down plunge of the old La Union mine where underground sampling obtained grades up to 200 g/t gold.

Geological Setting

Regionally the San José de Gracia Project is situated on the western portion of the Sierra Madre Occidental (SMO) geological province, a linear belt of volcanic rocks approximately 1,500 kilometres long by 250 kilometres wide that has proven to host many important and economic epithermal gold and silver veins in western Mexico. The SMO rests on highly deformed Carboniferous sediments that are overlain unconformably by two principle Tertiary and Cretaceous volcanic units referred to as the Upper and Lower Volcanic Groups respectively. Both upper and lower packages are separated by two lengthy periods of erosion and associated local felsic intrusive activity.

Although not commonly seen elsewhere in the SMO, the basement Carboniferous rocks are highly deformed metasediments and include shale, siltstone and conglomerates. The Cretaceous age Lower Volcanic Group (LVG) is dominated by andesitic to dacitic volcanics including minor rhyolites which are intruded towards the end of their cycle by a suite of quartz monzonite, granodiorite, porphyritic andesite and diorite. The Tertiary age Upper Volcanic Group (UVG) is characterized by basal

conglomerates, ignimbrites, rhyolites, felsic tuffs and minor andesites. The contact between the two volcanic packages is highly prospective for precious metal vein style mineralization as a majority of epithermal gold- silver prospects and mines in the SMO occur just below or in some newer cases just above this unconformity interval.

The four principal rock units that outcrop on the San José de Gracia Project are, from oldest to youngest, Upper Paleozoic (Carboniferous) Sedimentary Rocks, the Cretaceous Lower Volcanic Group, the Tertiary Upper Volcanic Group and the Tertiary Intrusive rocks. The Upper Paleozoic (Carboniferous) Sedimentary Rocks are shales, sandstones, limestones and pebble conglomerates that are highly deformed, folded and faulted marine sediments with lithological thicknesses believed to be greater than 800 metres and are best exposed along the eastern edges of the current project area. The Cretaceous Lower Volcanic Group is found extensively throughout western Mexico in the Sierra Madre Occidental and commonly host many of Mexico's base and precious metal deposits. They can be roughly divided into a basal sequence of feldspar bearing rhyodacite crystal tuffs and flows grading upwards to a thicker sequence of andesite flows, tuffbreccias and related sills. The Tertiary Upper Volcanic Group, found at higher elevations of the San José de Gracia Project, particularly along its western edges, are underlain by rhyolitic ignimbrite and tuffs. These are resistant rock types that most likely acts as a cap to mineralization. Three types of Tertiary Intrusive rocks have been mapped in the project area: stocks and plugs quartz feldspar porphyry located near Tres Amigos and are possibly coeval to the rhyodacite tuffs; sill like diorite porphyry occurring in the basement sediments or close to the overlying Lower Volcanic Group; and Mafic Dykes that cut all units and act as possible "feeders" to the Upper Volcanic Group Hornillos and Navachiste Formations.

Exploration

The earliest exploration work documented at San José de Gracia dates back to 1992 and 1997 when Peñoles and Golden Hemlock completed limited drilling campaigns at Tres Amigos, San Pablo, La Union and La Purisima areas.

Dynamexico has been conducting exploration activities on the San José de Gracia Project since late 2006. These activities have included geological mapping, geochemical stream sediment and rock chip sampling, and diamond drilling. Geochemical surveys comprise systematic sampling of available outcrops and creeks and analyzing these samples for their gold contents. To date the rock chip geochemical surveying has covered an area of approximately 5 kilometres (east-west) by 5.5 kilometres (north-south) with an approximate grid density of 100 metres by 100 metres. There are several areas containing anomalous gold values located in bedrock and creek drainages that, for the most part, correspond to areas that have had historical mining activity but also include new anomalies yet to be investigated.

Three drill campaigns have been completed in the vicinity of the old mines at San José de Gracia. Peñoles drilled eleven short reverse circulation (RC) holes in 1992 targeting shallow mineralization and up-dip potential of previously identified ore bodies. Unfortunately results of this drill program are not well documented and are not reliable. In 1997 and 2007 to 2008 both Golden Hemlock and DynaMexico drilled a total of 189 core holes stretching over a horizontal distance of approximately three kilometres. Some of the better intercepts from these programs are tabled below.

Mineralization

Gold mineralization at San José de Gracia is hosted within andesite and rhyodacite of the LVG and underlying Palaeozoic sediments as fault breccia veins and crackle breccias that exhibit multiple stages of reactivation and fluid flow, as evidenced by crustiform/colloform textures and cross cutting veins. Locally, veins exhibit sharp, clay gouge hanging wall and footwall contacts with slickensides, indicating reactivation of structurally-hosted veins subsequent to mineralization. Gold grades can also be carried within the mineralized halo adjacent to the principal veins as quartz-chlorite stock work and it is this type of mineralization that may hold the greatest potential on the property. In addition to vein-hosted mineralization, broad zones of unmineralized clay alteration, developed southwest of the main mineralized trends, may overlie lower-grade, disseminated gold mineralization at depth.

Alteration at San José de Gracia is laterally and vertically zoned from discrete zones of silicification to broad zones of illite to clay alteration with increasing elevation and/or distance from the main feeder structures. Faulting and tilting of the mineralization system has affected the surface distribution of alteration and in general has exposed deeper portions of the system in the northeast and exposed shallower, more distal portions of the hydrothermal system in the southwest part of the property.

Six principal mineralized trends over an approximate north-south strike length of four kilometres and surface area of 12 square kilometres have been identified at San José de Gracia. From south to north these consist of, Purisima Ridge trend; Palos Chinos trend; La Parilla to Veta Tierra trend; San Pablo trend; La Prieta trend; and Los Hilos to Tres Amigos trend.

The geological model for gold mineralization at San José de Gracia is one in which precious metal bearing low sulphidation fluids exploited steeply to locally moderately dipping northwest to northeast trending faults over a strike length of at least 1.5 kilometres. Although mineralization may have followed pre existing structures, the presence of breccia zones suggests that deformation was at least in part synchronous with mineralization. Underground mapping suggests a high potential for the presence of thick, high-grade ore shoots formed within and adjacent to the main mineralized structures. These include: 1) Dilational jogs – Palos Chinos; 2) Vein intersections – San Pablo 3) Vein flattening (rolls) Amigos; and 4) Flat Zones – La Union and La Prieta (La Prieta may be hosted within a pre-existing thrust fault). Mineralized veins comprise principal south west and secondary south striking fault breccia veins that are cut by late east- west and northwest striking brittle faults with normal displacement. Gold-bearing siliceous fluids formed tabular or sheet-like quartz, quartz - sulphide and quartz- calcite veins and breccia veins which were subsequently cut by late brittle, normal (right lateral) faults, resulting in the small-scale (often less than one metre) offsets observed on surface and in underground. Quartz-replaced bladed barite and possibly calcite mapped on surface suggests that boiling was the principal mechanism of gold deposition within the system. The presence of this textural evidence at surface, along with the presence of the old working implies that the zone of gold deposition is well preserved at San José de Gracia. Precious metal epithermal vein systems, such as at the Tayoltita silver- gold mine, located some 220 kilometres to the south, have been shown to host economic mineralization down dip over lengths of some 200 to 300 metres, well below the depth of old workings at San José de Gracia. Given the dimensions of the mineralizing system at San José de Gracia, it has the potential to host similar quantities of gold in a similar geological setting as Tayoltita.

Drilling

San Pablo Area

68 holes have been drilled at and around the San Pablo area, a total of 13,923 metres. These programs included 4 reverse circulation holes by Peñoles in 1992, 12 NQ core holes by Golden Hemlock in 1997 and 52 NQ core holes by DynaMexico in 2007 – 2008, utilizing technical personnel contributed by Goldgroup and contracted by Mineras. This drill program was specifically designed on 50 metre grid spacing and roughly 50 metre pierce points down dip of the vein.

The drilling identifies a tabular shaped mineralized zone trending approximately 015 north northeast with variable dips to the west between 35 and 55 degrees. Along this plane the mineralized zone plunges to the southwest over 550 metres with roughly 70% of the shoot lying below the underground workings at San Pablo.

Tres Amigos Area

Thirty eight core holes (5,903 metres) have been drilled in the Tres Amigos area, twenty six holes by Golden Hemlock in 1997 and twelve holes by DynaMexico under Goldgroup's technical direction in 2008. The vein structures are located in an area with deep valley cuts and steep topographic terrain making any future drilling problematic unless underground drill drifts are developed. Many of the current holes have two or three collars from one setup, some of which have been turned 180° to get additional cuts of the shallow to moderately dipping vein structures.

Sampling and Analysis

Three basic periods of core drilling and reverse circulation sample collection have taken place in recent years at San José de Gracia. In 1992, Peñoles drilled 11 short reverse circulation (RC) holes at various locations near San Pablo and La Union areas. Unfortunately this data was not well kept and the quality of the assays is questionable. During Golden Hemlock's 1997 drill program no information is available on what QA/QC measures were in place during their drilling and consequently the 2,431 drill core assays from 63 drill holes cannot verify the calibre of laboratory quality control.

However, the larger drill program completed in 2007 and 2008 incorporated a program of QA/QC for all of the 14,713 samples taken from 118 of the 126 diamond drill holes (holes 07-09 to 08-126). Project geologists first logged and marked the core at storage facilities in San José de Gracia, while technicians later split the individual core lengths with a diamond saw, placed half the core in a plastic bag, numbered the bags for the laboratory and then closed them with security clips. The half core samples were then trucked to Hermosillo, Mexico where Sonora Sample Preparation SA de CV (SSP) crushed each sample to -150 mesh. The rejects remained with SSP while the pulps were air couriered to International Plasma Labs Ltd. (IPL) of Vancouver, Canada or Inspectorate Labs of Reno, Nevada and analyzed for gold by fire assay with Atomic Absorption (AA) finish. Samples over 10 gram per tonne gold were re-run using fire assay with gravity finish. In addition, a 30 element Inductively Coupled Plasma (ICP) analysis (aqua regia digest) was conducted on all samples. The remaining half of the core is stored on site at Goldgroup's camp in San José de Gracia.

As a QA/QC, DynaMexico, utilizing technical personnel contributed by Goldgroup and contracted by Mineras, inserted one of either the regular blanks, duplicates or one of the three different 'reference'

standards were inserted into each lab shipment roughly every 20 samples. These standards were purchased commercially from Rocklabs Ltd., of Auckland, New Zealand.

Control charts show most of the assay data on the three different standards to be within two standard deviation of the norm however re-assay of the selected batches with standards well above and below two standard deviation is recommended.

- Standard SP-37, 7.1% or 23 samples out of a base of 323 – above/below 2SD
- Standard SG-31, 5.9% or 15 samples out of a base of 254 – above/below 2SD
- Standard OxL-51, 6.8% or 18 samples out of a base of 262 – above/below 2SD

Although most of the 'blank' inserts are within acceptable range, control charts with 417 inserted blanks identify 3 outliers that require re-assay.

The duplicate assaying program identifies 2 outlier samples from 226 duplicates that require re-assay. When these two outliers are removed the program shows a high degree of correlation with a 50 ppb constant variance.

Although concerns have been identified, the author of the San José de Gracia Technical Report believes sample preparation, security and general analytical procedures have been adequate.

Since the completion of the San José de Gracia Technical Report the author understands that some if not all of the quality control issues during the 1997, 2007 and 2008 drill programs were addressed. New charts are said to reflect improved standard deviation ranges for Standards SP-37, Sg-31, and OxL-51. This additional information has not been substantiated by the author of the San José de Gracia Technical Report.

A total of five rock samples were collected by the author of the San José de Gracia Technical Report during the site visit for the San José de Gracia Technical Report including three rock samples of quartered core from drill holes at Tres Amigos and San Pablo and two chip samples from underground workings at the same locations. These rocks were hand delivered to Acme Labs of Vancouver for analysis. Below is a list of the assay results from the five samples taken at Tres Amigos and San Pablo.

The author of the San José de Gracia Technical Report suggests that the five check samples listed below support the fact that gold mineralization can be verified from five 'point' locations, in two areas namely Tres Amigos and San Pablo. No samples were taken to verify gold at La Union and La Purisima prospects.

Field check assays by San José de Gracia Technical Report author, May 2009

Sample	Location	Chemex 2009	Original	Comments
JC-01	Tres Amigos	1.67 g/tAu, random grab	N/A	40 metres inside level 1
JC-02	San Pablo	0.75 g/tAu random grab	N/A	110 metres into main level entrance
JC-4477	Hole 07-02 7, 145.10 to 147.05 metres	26.93 g/t Au	22.23 g/t Au	Quartered core
JC-16045	Hole 08-118, 27.84 to 28.85 metres	10.84 g/t Au	4.06 g/t Au	Quartered core
JC-16047	Hole 08-118,	9.97 g/tAu	9.76 g/tAu	Quartered core

The project's technical staff have kept a well maintained database of all its drill hole collars, deviation surveys, assays and geology information in both Microsoft Access and Surpac software formats. More recent improvements have involved re-checking surveys of drill collars, re-logging of all the 126 drill holes including the 68 holes at San Pablo, and re-assay checks of pulps from selected holes at San Pablo and Tres Amigos.

During the property visit the author of the San José de Gracia Technical Report was able to verify locations of several surface drill collars as well as check different drill holes from San Pablo and Tres Amigos for consistency of general rock descriptions and sample assay locations. In addition to the quality control programs already in practice, the author of the San José de Gracia Technical Report requested 350 drill core pulps be sent to ALS Chemex Labs for assay checks. Results from this study show an acceptable degree of correlation between new assays from Chemex and the original assays from IPL Labs and Inspectorate Labs.

Security of Samples

The author of the San José de Gracia Technical Report believes security procedures have been adequate.

Mineral Resource Estimate

The data base for the San José de Gracia Project consisted of 200 drill holes of which 189 were diamond drill holes and the remaining 11, drilled in 1992, were reverse circulation holes. This resource estimate concentrates on four mineralized vein systems on the property namely: La Purisima, La Union, San Pablo and Tres Amigos.

Delineated mineralization of the San José de Gracia Project is classified as a resource according to the definition of "mineral resource" and "inferred mineral resource" in NI 43-101.

At this stage of the project there is reasonable geologic continuity based on surface and underground exposures and drill core to establish the vein boundaries. Grade continuity can be quantified by semivariogram analysis. Usually the classification can be linked to the semivariogram range with blocks estimated during pass 1 at ¼ of the semivariogram range being classed measured, blocks estimated using ½ the range being classed indicated and all others classed inferred. At this time there was insufficient drill data to determine semivariograms on the La Union and La Purisima domains and

too few blocks estimated in Pass 1 and 2 on the Tres Amigos and San Pablo to classify any of this resource as measured or indicated. The total inferred resource is tabulated below with a gold cut-off of 2 g/t highlighted as a possible cut-off for underground extraction. No economic studies have been completed to the date of this prospectus so a true economic cut-off is unknown.

San José de Gracia – Total Inferred Resource

Cut-off Au (g/t)	Tonnes > Cutoff (000 tonnes)	Grade > Cutoff				Contained Metal			
		Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)	Au (000 oz)	Ag (000 oz)	Cu (000 lbs)	Zn (000 lbs)
0.50	3,644	5.37	9.74	0.19	0.19	629	1,141	15,267	15,267
1.00	3,632	5.38	9.76	0.19	0.19	628	1,140	15,216	15,216
1.50	3,574	5.45	9.83	0.20	0.18	626	1,130	15,761	14,185
2.00	3,441	5.59	10.0 2	0.20	0.18	618	1,109	15,175	13,657
2.50	3,277	5.75	10.1 6	0.20	0.17	606	1,070	14,452	12,284
3.00	2,957	6.08	10.4 2	0.21	0.16	578	991	13,692	10,432
3.50	2,620	6.44	10.6 3	0.21	0.14	543	895	12,132	8,088
4.00	2,222	6.92	11.0 0	0.21	0.13	495	786	10,289	6,369
4.50	1,723	7.70	11.6 7	0.22	0.13	427	646	8,358	4,939
5.00	1,416	8.35	12.4 4	0.23	0.12	380	566	7,181	3,747

This total resource is subdivided into the four Vein systems in the Tables below. Note the combined tonnages, ounces and lbs of the various individual veins may not total exactly with the table above due to round off errors.

San José de Gracia, Tres Amigo Veins – Inferred Resource

Cut-off (Au g/t)	Tonnes Cutoff (000 tonnes)	Grade > Cutoff				Contained Metal			
		Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)	Au (000 oz)	Ag (000 oz)	Cu (000 lbs)	Zn (000 lbs)
0.50	734	3.65	8.46	0.18	0.64	86	200	2,913	10,358
1.00	722	3.70	8.50	0.18	0.65	86	197	2,866	10,348
1.50	677	3.86	8.71	0.19	0.66	84	190	2,836	9,852
2.00	600	4.13	9.19	0.19	0.69	80	177	2,514	9,129
2.50	524	4.40	9.49	0.20	0.70	74	160	2,311	8,088
3.00	414	4.84	9.76	0.20	0.69	64	130	1,826	6,299
3.50	314	5.35	9.67	0.19	0.66	54	98	1,316	4,570
4.00	239	5.86	9.59	0.18	0.66	45	74	949	3,478
4.50	179	6.40	9.58	0.18	0.66	37	55	710	2,605
5.00	129	7.04	10.5 0	0.20	0.66	29	44	569	1,877

San José de Gracia, San Pablo Vein – Inferred Resource

Cut-off (Au g/t)	Tonnes Cutoff (000 tonnes)	Grade > Cutoff				Contained Metal			
		Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)	Au (000 oz)	Ag (000 oz)	Cu (000 lbs)	Zn (000 lbs)
0.50	1,029	8.79	14.21	0.28	0.06	291	470	6,353	1,361
1.00	1,029	8.79	14.21	0.28	0.06	291	470	6,353	1,361
1.50	1,028	8.80	14.22	0.28	0.06	291	470	6,347	1,360
2.00	1,023	8.84	14.26	0.28	0.06	291	469	6,316	1,353
2.50	1,014	8.89	14.30	0.28	0.06	290	466	6,260	1,342
3.00	1,001	8.97	14.37	0.28	0.06	289	462	6,180	1,324
3.50	982	9.09	14.46	0.28	0.06	287	457	6,063	1,299
4.00	964	9.18	14.58	0.28	0.06	285	452	5,952	1,275
4.50	938	9.32	14.74	0.29	0.06	281	445	5,998	1,241
5.00	902	9.50	14.89	0.29	0.06	276	432	5,768	1,193

San José de Gracia, La Union Area – Inferred Resource

Cut-off (Au g/t)	Tonnes > Cutoff (000 tonnes)	Grade > Cutoff				Contained Metal			
		Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)	Au (000 oz)	Ag (000 oz)	Cu (000 lbs)	Zn (000 lbs)
0.50	733	3.89	10.71	0.29	0.07	92	252	4,687	1,131
1.00	733	3.89	10.71	0.29	0.07	92	252	4,687	1,131
1.50	733	3.89	10.71	0.29	0.07	92	252	4,687	1,131
2.00	731	3.89	10.72	0.29	0.07	91	252	4,674	1,128
2.50	703	3.95	10.68	0.29	0.07	89	241	4,495	1,085
3.00	597	4.15	11.20	0.30	0.08	80	215	3,949	1,053
3.50	496	4.34	11.23	0.30	0.08	69	179	3,281	875
4.00	362	4.55	11.03	0.30	0.07	53	128	2,395	559
4.50	136	5.07	10.80	0.30	0.08	22	47	900	240
5.00	51	5.69	10.20	0.29	0.08	9	17	326	90

San José de Gracia, La Purisima Trend – Inferred Resource

Cut-off (Au g/t)	Tonnes > Cutoff (000 tonnes)	Grade > Cutoff				Contained Metal			
		Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)	Au (000 oz)	Ag (000 oz)	Cu (000 lbs)	Zn (000 lbs)
0.50	1,148	4.34	5.94	0.06	0.08	160	219	1,519	2,025
1.00	1,148	4.34	5.94	0.06	0.08	160	219	1,519	2,025
1.50	1,136	4.37	5.97	0.06	0.08	159	218	1,503	2,004
2.00	1,087	4.48	6.01	0.07	0.09	157	210	1,678	2,157
2.50	1,035	4.59	6.08	0.07	0.09	153	202	1,598	2,054
3.00	944	4.77	6.03	0.07	0.09	145	183	1,457	1,873
3.50	828	4.98	6.09	0.07	0.09	133	162	1,278	1,643
4.00	657	5.30	6.24	0.07	0.08	112	132	1,014	1,159
4.50	470	5.73	6.61	0.07	0.07	87	100	725	725
5.00	333	6.13	6.88	0.07	0.07	66	74	514	514

Metallurgy

Ore and existing mill tailings samples were collected prior to DynaUSA assuming full control of the operation. The ore samples consisted of a bulk (about 500 kilograms) of stockpiled ore from the lower adit of the Tres Amigos mine (intercept of the Tres Amigos and Orange Tree veins). In addition, approximately 100 kilograms of ore as a bulk sample was taken from the surface at the Gossan Cap area. Three additional ore samples (approximately 5-15 kilograms each) were assembled from splits of the cores from several of the 1997 drilling program core holes and were primarily to develop samples representing different ore types for testing (other than that represented in the bulk samples). These

included: segments from the drill hole from Palos Chinos, massive sulphide veins from the Tres Amigos vein and the so-called disseminated, non-sulphide mineralized zones at the bottom of several Tres Amigos core holes. The logic was that major exploratory test work to define a metallurgical process would be done on the bulk sample from the adit at Tres Amigos and the other samples would have limited testing done at the selected metallurgical process conditions to verify the performance of that selected metallurgical process circuit on other types of San José mineralization. Finally, several bulk samples (50-100 kilograms) of existing tailings from the Rosarito mill and the old Rosarito mill were collected and used to do flotation, gravity and limited leachability test work on the tailings.

The samples were shipped to the laboratory of Carboxyx Carbon Technologies in Plano, Texas where in 2000 and 2001 two separate preliminary test programs were conducted, one for the tailings, the other for a portion of the bulk Tres Amigos ore. A concept for the metallurgical processing to produce both gravity and flotation concentrates (rougher and cleaner) was developed. The tests confirmed a metallurgical flow sheet to be utilized at San José de Gracia to recover up to 90% of the feed gold into the concentrates. This testing established a preliminary flowsheet for a mill circuit for processing either primary ore or for reprocessing the existing tailings. Subsequently Hazen Research Laboratories of Golden, Colorado was engaged to provide independent verification of the in-house work, and carry out additional optimization test work.

The initial gravity beneficiation/flotation test work on the Tres Amigos and Gossan Cap bulk ore samples was very encouraging with up to 80% recovery of the feed gold into the gravity concentrates while maintaining a minimum concentrate grade of 100 g Au/t. The existing tailings samples (feed grades of 3-8 g Au/t) returned similar recovery results, but had to be cleaned to produce a final concentrate with greater than 100 g Au/t. The overall gold recoveries in the gravity cleaner concentrate still were in excess of 50% of the total feed gold. Flotation tests on primary ore samples resulted in recoveries of 85-90% of the feed gold into the rougher concentrates, however, recoveries after cleaning (to get greater than 100 g Au/t grade) dropped to the 65-75% range. A combination circuit of a gravity pre-concentration stage with flotation on the gravity tailings indicated the potential to recover greater than 90% of the feed gold into the gravity concentrate, the rougher flotation and the cleaner flotation concentrates while maintaining a 100 g Au/t grade in all of the concentrates. This combination became the basis for subsequent mill circuit design at San José de Gracia.

Exploration and Development

Before any further work is started at San Pablo, the underground workings and old stopes must be carefully surveyed and chip sampled to help direct future drilling. An additional 8 drill holes (1,220 metres) are recommended to be collared on seven different sections between 1150NE and 1450NE to infill areas that remain open within the current 50 by 50 metre drill grid.

Several important and under-explored anomalies are found within the current San José de Gracia Project. Some of targets are remote and require horseback, however they should be investigated during any future regional exploration program.

Local Targets

- La Union adit sampling and drill hole (08-76) – assay of 36.09 g/t Au over 2.10 from 32.75-34.85m. Possible location – 100 metre down plunge of old La Union workings.

- La Ceceña drill hole 08-104 (26.2 g/t Au, 327 g/t Ag, 1.0% Cu over 1.35 metres).
- La Purisima drill hole 07-021 (75.9 g/t Au, 1.6% Cu over 2.10 metres). One of three encouraging new drill intercepts.
- Multiple rock chip anomalies in the Lower Volcanic package, but more importantly in the underlying sedimentary Palaeozoic rocks. Investigate holes 07-009 (8.24 g/t Au over 3.09m at San Pablo), 97-047 (7.51 g/t Au over 5.85m at Tres Amigos). Historical past production at La Prieta is approximately 215,000ozs with average grade of 27.6 g/t Au.

Regional Targets

- Various regional multispectral (FeO, clay) satellite anomalies, specifically important at or close to junctions of regionally interpreted “Graben bounding” fault structures.
- Strong stream sediment anomalies from Dyna Mexico work, near La Prieta and north as well as south of San José de Gracia.
- Investigate and rock chip sample the zones of precious metal mineralization known as “Potrero de Vargas, located 9.3 kilometres southwest of San José de Gracia inside DynaMexico’s current claim block, Sierrita de German located on the boundary of the claim block roughly 24 kilometres southeast of the village and La Noria, south of San José de Gracia.

Cerro Colorado Project

Unless otherwise stated, information of a technical or scientific nature related to the Cerro Colorado Project contained in this annual information form is summarized or extracted from the technical report entitled “Independent Technical Report, Cerro Colorado Gold Mine, Sonora Mexico” dated March 15, 2010, as amended February 28, 2011 (the “Cerro Colorado Technical Report”), which is compliant with NI 43-101. The Cerro Colorado Technical Report was prepared by prepared by Michelle Stone, Ph.D., P.Geo. For a complete description of assumptions, qualifications and procedures associated with the information in the Cerro Colorado Technical Report, reference should be made to the full text of the Cerro Colorado Technical Report, which is available under Goldgroup’s profile on SEDAR at www.sedar.com.

The Cerro Colorado Gold Mine is located in northern Sonora, Mexico. The Property consists of six concessions covering the area of the mine and 44 concessions in the immediate vicinity of the mine totalling 33,767.2 hectares. Cerro Colorado is owned by Goldgroup through its Mexican operating company Granmin S.A. de C.V. (“Granmin Mexico”). Cyanide leaching at Cerro Colorado commenced in 2003 and has since produced approximately 43,000 ounces of gold to the end of 2008.

The open pits have been operational since 2003, with 2008 seeing an increase in production to 19,669 ounces. Three pits are currently operating: Harris, Breccia Central and Obra X. Exploration drill programs have been completed each year since 2006. 305 exploration holes have been drilled in and around the mine.

The mine is expanding its commercial production capacity from 20,000 to approximately 30,000 ounces. The expansion is expected to be completed during 2009.

Michelle Stone, Ph.D., P.Geo. of Caracle Creek International Consulting Inc. (“CCIC”) prepared an independent technical report compliant with NI 43-101, entitled “Independent Technical Report, Cerro Colorado Gold Mine, Sonora Mexico” (the “Report”) dated March 15, 2010, as amended February 28,

2011, for the Cerro Colorado Mine. The following description of the Cerro Colorado Mine has been summarized, in part, from the Report and readers should consult the Report to obtain further particulars regarding the Cerro Colorado Mine. The Report is available for review on SEDAR at www.sedar.com under Goldgroup's profile.

Property Description and Location

The Cerro Colorado Property ("Property") is located in the Trincheras municipality in the State of Sonora, Mexico, consisting of 49 concessions, with one title pending (Nuevo Gran Valle Fracción 4). The total land area held by Goldgroup is approximately 33,767 hectares (including the pending title of five hectares). The location of a concession is determined from the position of a single claim monument ("mojonera"). The corners are all located based on surveyed distances and bearings from that monument by a registered Mexican Mineral Concession Surveyor. The mine area itself is covered by six contiguous concessions and these concessions are the focus of this Report.

The Property is wholly owned by Goldgroup through Granmin Mexico, their Mexican operating company. In 2008, the Company was required to pay approximately \$11,000 in taxes in two equal instalments during the year to maintain the concessions. Similar amounts were paid in subsequent years.

The Property encompasses several gold-bearing veins associated with faults that cross-cut a rhyolite dome. Open pit operations have developed in five areas: Abejas, Breccia Central, Harris, Obra X and Sorpresa. The Breccia Central, Harris and Obra X pits are currently operational. Waste piles and two heap leach pads are located adjacent to the active mining area.

Baseline environmental studies were reported in 2001 and updated in 2003. Additional reporting as required for various mining and environmental permits has been made. More recently, permits have been sought and granted to accommodate the continued development and expansion of the mine. Reports provided to SEMARNAT document expansion details, environmental impacts of the expansion, plans to relocate rare plants and animals, and eventual reclamation. These reports have been accepted by SEMARNAT and permits have been granted to complete this work. Goldgroup holds eight different permits with regards to the mining operations at Cerro Colorado. At the time the Report was drafted, no environmental liabilities or outstanding permits were associated with the Property.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Cerro Colorado mine can be accessed via Federal Highway 2 between Altar and Santa Ana to the kilometre 42 marker, then 22 kilometres south by paved road to Trincheras. The property is located 37 kilometres southwest of Trincheras along a maintained gravel road with no drainage improvements. The mine site grader blades this road as needed. The nearest major airports are located in Hermosillo, the capital of Sonora, or in Tucson, Arizona, USA. Travel time from either of these airports to the Property is approximately four hours.

Cerro Colorado is located in the Sonoran Desert west of the Sierra Madre Occidental mountain range. The climate is typified by mild winters and hot summers. A primary rainy season occurs from July to October, with a second rainy season occurring during the winter months. Mining at Cerro Colorado is continuous throughout the year, although minor delays and/or shut downs associated with periods of intense/excessive rainfall could occur.

The project area occurs within the Sonoran Desert physiographic sub-province and in general exhibits a relatively flat topography. However, in the immediate mine area, hills reach up to approximately 170 metres in relief. Vegetation is sparse and consists primarily of cacti and low thorny shrubs (mesquite). Surface water is rare but ground water is readily available. Arroyos and washouts are common.

All services including rail are available at Trincheras. Electricity, satellite communications and water are available at the mine site. Federal Highway 2 is paved and serves as a major transportation route in Sonora. A labour pool, familiar with modern mining practices, is present in the area. The mine site maintains several buildings on site that include various offices, the on-site laboratory, plant and maintenance facility, and a small camp. The crushing facilities and heap leach pads, waste areas and tailings ponds are centrally located adjacent to the pits. There is sufficient room on the Property to expand these facilities, pads, dumps and ponds if required.

Electrical power is supplied by on-site generators. There are three generators on-site for power supply. The 500 kilowatt generator is the primary generator, backed up by a 350 kilowatt generator. If necessary the third generator that powers the crusher (also 350 kilowatt), can be used to power the site and keep the process operations functioning.

The Company entered into a lease agreement in 2006 with Mr. Arturo Bayardo of Sonora, Mexico, the owner of a nearby water well, for exclusive rights to use water from the well in the operations of the Cerro Colorado mine. No rental fees are charged or payable under this agreement. The lease has an indefinite term which runs until the cessation of mining activities at Cerro Colorado. Fees payable to the Mexican government based on water consumption are solely the responsibility of the Company during the term of the lease. Upon expiry of the lease, ownership and all rights of use relating to the well revert back to Mr. Bayardo. Water is pumped to the mine site from the well, which is located approximately 12.5 kilometres to the west of the mine. This well is capable of pumping 65 litres per second and is of sufficient quantity to meet water requirements at the mine site. Wells located closer to the mine are only capable of supplying water for single family dwellings for the area ranchers and are not feasible alternatives for the mine site.

History

The principal period of mining activity at Cerro Colorado occurred during the late 1800s to early 1900s. Both hard rock and dry placer operations were conducted during this period. Limited underground work is believed to have taken place during the 1920s and 1930s. Within the district small scale dry placer operations have continued intermittently to the present. The extent of past workings indicates that approximately 100,000 tonnes of high-grade gold-bearing rock was mined at Cerro Colorado. This production from underground mining and placer workings is estimated to have recovered approximately 50,000 ounces of gold.

The property was explored by Contratista Tormex ("Tormex") during the early 1970s. They calculated that there were 1,000,000 tonnes of reserves at a grade of 2.6 grams per tonne gold in the Harris breccia from extensive underground sampling. Tormex estimated an indicated resource, which includes the above reserve, of 3.5 to 4.0 million tonnes at a grade of 2.6 grams per tonne gold. These resources and reserves are historic, are not current, have not been verified by CCIC and should not be relied upon.

In 1983 and 1984, Papanton Minas S.A. de C.V. and BP Minerals explored the area in a joint venture. A total of 25 holes, eight diamond and 15 rotary, totalling 3,984 metres were drilled in a widely spaced pattern over the property.

In 1989-1990 Compañía Fresnillo, S.A. ("Fresnillo") explored the Property. Fresnillo explored the entire district and developed a target of 8.1 million tonnes at 2.0 grams per tonne gold. The project potential of 525,000 ounces of gold was not deemed large enough for Fresnillo, an Amax-Peñoles joint venture, and the project was turned back to its underlying landowners.

Laramide Resources Ltd. optioned the Property in 1995 and carried out the first mapping and sampling program in November and December of that year. This was followed by drilling 23 holes on accessible targets in February of 1996. Results of this work were encouraging and work continued through 1996 and most of 1997 with geologic mapping, surface and underground chip sampling, soil sampling and two additional phases of reverse circulation ("RC") drilling.

In April 2000 Minera Secotec S.A. de C.V. ("Sectoc") began a preliminary feasibility study to determine the economic viability of the Project. This work consisted of rock chip sampling of the old workings, exposed breccia outcrops, infill drilling on 25 metre x 20 metre centres on the Sorpresa ore body, and column leach testing of the mineralized intercepts using the Laramide drill chips and dump material left at the surface during the old mining operations. Secotec also completed rock chip sampling confirming the values encountered during the Laramide and Tormex exploration programs. In-fill drilling on the Sorpresa ore body consisted of 26 vertical percussion drill holes on section lines spaced 25 metres apart. Gold mineralization was encountered in 21 of the 26 holes drilled, in zones of altered and hematized rhyolite, rhyolite breccia and sometimes a few metres into the underlying limestone. The drilling confirmed and expanded the original Laramide drilling and outlined a mineralized zone which is roughly lenticular in shape, plunging easterly into the main Cerro Colorado hill and containing an estimated resource of 487,000 tonnes at 1.54 grams per tonne gold. This resource estimate is historic, not current, has not been verified by CCIC and should not be relied upon.

Geological Setting

Regional Geology

Sonora is comprised of three main physiographic provinces. These provinces trend approximately north-south, parallel to the Sierra Madre Occidental and include the Basin and Range Province (of which the project is a part), the Transitional zone and the High Plateau (Sierra Madre Occidental). In the western portion of the state (west of Federal Highway 15) the Basin and Range Province of the western United States continues into Sonora. In Sonora, the Basin and Range Province consists of widely spaced mountain ranges, the result of mid-to-late Tertiary high-angle listric faults or earlier low-angle (detachment) faulting. These ranges contain a majority of the older Precambrian and Mesozoic rocks found in the state. The majority of the gold systems in this province have a structural component involving a combination of high and low-angle faulting (e.g. La Choya, Cerro Colorado and Quitovac).

Local and Property Geology

There are two main rock types in the district, Proterozoic sedimentary units and gneisses. Two principal structural styles - detachment/low angle faulting and higher angle Basin and Range normal faulting are also present. Many of the basins in the district are covered by mid-to-late Tertiary

indurated conglomerates. Tertiary volcanic/intrusive complexes, like Cerro Colorado, are rare in this part of Mexico.

The geology of the Cerro Colorado area consists of Precambrian basement rocks overlain by Paleozoic sedimentary rocks and intruded by Tertiary rhyolite and rhyolite breccia. Gold mineralization accompanies strong hematization and argillization in the rhyolite breccia, fractured rhyolites and porphyries and in fault breccias within the limestone. This mineralization formed by late stage emplacement into the rhyolite and nearby sedimentary rocks, with the best gold concentrations forming near the intersections of deep open fractures through porous or reactive host rocks and commonly below a confining cap or along a flat fracture. One of these faults, the La Cienega Fault, is a regional structure running north-east across the northwest end of the Harris and Breccia Central ore bodies.

Most of the central portion of Cerro Colorado, generally above the 700 metre contour, is composed of sterile cap rhyolite. This rock, which has a uniform light beige tone, is finer grained and lacks the quartz eyes of the porphyry. The rocks of this unit are softer in outcrop, forming moderate slopes covered by loose blocks. It has a fine grained texture and well developed flow banding with a steep south-westerly dip. An important feature of this rock is a strong joint set dipping flatly to the east or east south east. These joints are interpreted to have directed the explosive breccia and mineralizing fluids upslope westward, where they blew out of what is now the western end of the hill.

Exploration

Goldgroup holds approximately 34,000 hectares of mineral exploration concessions within a 30 kilometre radius of Cerro Colorado. Breccia-type targets within and along the margin of the Cerro Colorado dome complex served as both conduits for the migration of ore-bearing solutions and sites for the deposition of gold mineralization. Gold mineralization is also found adjacent to or within structures in zones of intense argillic alteration and silica flooding. Both styles of mineralization are exposed and have been exploited in the past.

At present, the known ore bodies at Cerro Colorado appear to be associated with the rhyolite/gneiss contact, the rhyolite/limestone contact and the La Cienega fault. Mineralization can be traced in outcropping brecciated rhyolite, generally within 200 metres of the basement gneiss contact, from Sorpresa to the Harris ore body through Abejas and the southeast breccia zone to Obra X, a distance of 1,300 metres.

The mineralized Sorpresa zone can be traced in outcrop to the northeast into contact with the western end of the Breccia Central ore body. This zone (approximately 150 metres wide) is situated in the footwall of the La Cienega fault and extends for 700 metres from the present back wall of the Sorpresa open pit to the north side of the main hill and contains scattered old prospecting and mining pits in mineralized breccia.

Another large area of rhyolite breccia, approximately 100 metre x 300 metre outcrops in the northwest corner of the rhyolite dome complex, in contact with the limestone at Hematita Hill. Hematita Hill contains numerous pits and shafts from previous mining of mineralized zones within the limestone bedding planes. These hematitic zones are very similar to the mineralized zones in the limestone at Sorpresa and Plomosa and are a direct result of the intrusion of the Cerro Colorado rhyolite into the

surrounding limestone. This area of brecciation is also coincident with anomalous gold in soils up to 3,000 parts per billion.

In addition to the areas described above, further potential exists in the high grade deep zone of the Breccia Central ore body. This zone has been traced by drilling east from Breccia Central for 150m under the high point of the main hill and is trending towards Obra X, a further 300 metres away. Several other mineralized breccia zones outcrop on the northern side of the main hill, some of which contain old prospecting pits.

Recent exploration efforts focused on mapping pit benches at a scale of 1:500 and mapping in the Los Carlos, Judy and Oreros concessions, in particular, mapping of the rhyolite dikes in the Oreros concessions). The dike extends approximately 400 metres and is between 2 metres and 15 metres thick; it strikes between 205 degrees and 210 degrees and dips between 80 degrees and 88 degrees. Two additional dikes run parallel to the main dike. Samples were collected from trenches perpendicular to the dike (results have not been reported to date). Further areas mapped include Harris Sur, Abejas and Este de Abejas.

At Los Carlos, approximately 25 kilometres from Cerro Colorado, the main rock type is Early to Middle Proterozoic gneiss but minor biotite schist and rhyolite also occur. The rhyolite is characterized by intense fracturing and small quartz veins (particularly in the area of Rancho San Antonio). Average grades of 327 surface samples from this area returned a grade of 2.06 grams per tonne gold. Several pits are assumed to be more than 100 years old were found in the area of Rancho Los Polvaderas. At Los Polvaderas, Jurassic limestone hosts quartz veins.

Three drill programs have been completed by the Company since it acquired the Project. Drill results are presented below. In total, 305 RC holes have been drilled in and around the mine and at surrounding prospects (e.g. Los Carlos). The third drill program, completed in 2008, was contracted to Majoro Drilling de Mexico, S.A. de C.V., a Mexican subsidiary of Major Drilling.

Mineralization

Gold is hosted by rhyolite and associated with hydrothermal alteration. Hematite is a dominant mineral in the altered zones. The main control appears to be the location of east-northeast steeply to moderately south dipping reverse fault zones. Northwest and north trending structures within the rhyolite are only significantly mineralized where they have been cut by the east-northeast trending structures (and vice-versa). These structures occur as either shallow east dipping features or moderate to steep east and west dipping features within the rock. The general plunge of the mineralization is shallowly eastward (primary plunge) with higher grade shoots occurring along the steeper structures (secondary plunge) within the overall shallow plunging zone. Considering all three of the structural constraints the mineralized bodies look like shallowly east plunging tabular shoots with secondary high grade tabular shoots nearly perpendicular to the overall trend of the zone. Three areas are currently mined at Cerro Colorado: Breccia Central, Harris and Obra X.

Breccia Central

The mineralization at Breccia Central falls within an area 300 metres long by 120 metres to 200 metres wide and is approximately 50 metres thick at the west end of the hill. From there it plunges eastward becoming narrower and richer with depth. In detail the easterly plunge appears to be controlled by cross faults stepping down to the east at approximately 20,440 metres east and 20,500 metres east. A

pale green-white silicic, pyritic (+galena) feeder dyke appears to intrude from the north and carry high grades close under the barren cap.

Harris

Centered on the Harris mine in the southwest corner of the rhyolite complex, the Harris, Sorpresa, and Abejas zones are described together here. With additional drilling results they are expected to merge into a single pit area. Gold occurs in an altered rhyolite breccia and fractured rhyolite at Abejas and Harris, but at Sorpresa it also occurs in brecciated and replaced limey sedimentary rocks below the rhyolite. It is rarely found in the basement gneiss. The Plomosa and Hematita mineralization is generally located within bedding and fracturing within the limestone regionally associated with rhyolite intrusions.

Two main breccia bodies are known: Abejas which dips northward 20 metres to 40 metres above gneiss contact and Harris which dips southward and may intersect with the Abejas trend in the core of the Harris zone. The breccias occur above and between two regional faults which were probably active in the emplacement of the mineralization.

The Plomosa - Sorpresa zone lies in limey sediment and rhyolite close to the contact between the two rock types, and 20 metres to 50 metres above the basement gneiss. Gold occurs in two or three apparently flat-lying zones in both volcanic and sedimentary rocks. Irregular mixing of rock types in a single drill sample suggests complex brecciation possibly accompanying the flat-lying faults.

Obra X

The mineralization at Obra X occurs through an area approximately 200 metres long by 20 metres to 30 metres wide and approximately 50 metres deep in its root zone. It lies close to surface through most of its extent, dipping shallowly south-eastward parallel to the slope of the hill.

Drilling

The Company completed a RC drilling program of eight RC holes drilled outside the area of known resources in 2006. 32 metres of 3.42 grams per tonne gold and 6.0 grams per tonne silver were intersected 30 metres below the surface in hole GM-4, while hole GM-5 intersected 32 metres at 1.72 grams per tonne gold approximately 80 metres below surface.

In a Phase II RC drilling program completed in 2007, the Company drilled 195 holes totalling 14,000 metres; 154 holes were resource and exploration holes while 41 holes were drilled to sterilize an area for the planned operations. Significant intercepts included 90m of 1.59 grams per tonne gold and 1.46 grams per tonne silver (at a depth of 28 metres below surface) and 44 metres at 0.90 grams per tonne gold and 9.61 grams per tonne silver.

During a third phase of exploration completed in June 2008, 102 RC holes totalling approximately 20,000m were drilled. Only three holes have had results previously released. Assay results for 87 holes were available at the time of the report for holes in the immediate area of the mine.

Most holes have been drilled with a dip of 60 degrees, which is roughly perpendicular to the dip of the known mineralization. Mineralized true widths are therefore approximately 90% of the reported widths. None of the drilling by the Company has had directional surveys completed.

Sampling and Analysis

Production holes are drilled using a track mounted blast hole rig, whereas exploration drilling is done by various types of RC rigs depending on the depths of the drill program or the drilling conditions and access.

The blast-hole sample is deposited in a cone around the hole. The entire sample is collected and put through a riffle splitter. Half of the sample is split into a plastic bag. The bag is labelled according to the drill rig number and the bench from which the sample was collected and assigned a sample number by the Geology Department. The sample information is recorded in a sample notebook and collected from the drill site by the Geology Department. A 100 mesh sized sub-sample is removed from each bag, washed and the chips stored in a numbered box. This material is used later for rock description (rock type, alteration, mineralization, etc.).

Exploration samples are similarly split from 2 metres samples at the rig, labelled, and brought back to the mine site laboratory for preparation and analysis at the on-site lab, and for shipping to International Plasma Laboratory ("IPL") for independent verification of grade. Chip samples are also collected and stored for description. Once the chip samples are collected, standard reference material is inserted into the sample sequence and all samples are moved to the laboratory by the Geology Department for analysis.

When samples arrive from the open pit (blast-hole samples) or from the exploration site, each sample is catalogued on a laboratory sample list where a unique laboratory number is assigned to each sample. The Geology Department sample number is also recorded. The samples are then transferred to the preparation area inside the laboratory where the sample is crushed to -1/2 inches. If the sample does not require this first step of crushing it is directly passed through a fine grinder (-10 mesh). The sample is then homogenized and split into 200 gram aliquots. One aliquot is transferred to a sample tray and dried in a drying oven to eliminate the moisture before being pulverized for one minute. The sample is weighed and mixed with a lead flux and heated for one hour at 1,832 degrees Celcius. The molten sample is poured into an iron container where the molten product separates from the slag. The molten product is placed in a pre-heated cupel for cupellation. The temperature of cupellation is 1832 degrees Celcius; 98% of the lead is absorbed by the cupel and 2% is volatilized.

Until recently quality assurance and quality control ("QAQC") procedures were not utilized on site and the QAQC procedures of IPL were solely relied upon. Commercially prepared standards and blanks are now being analyzed with each sample batch at the on-site laboratory in addition to duplicate pulp samples. However, where they have been analyzed the data shows a reasonable level of accuracy and precision. The QAQC procedures still require improvement and need to be updated to current industry standards including routine analysis of variable grade gold standards, blanks and duplicates.

Limited QAQC samples have been analyzed at Cerro Colorado despite the large number of drill holes and samples collected to date. Despite the quantity of data, they show reasonable accuracy and precision and are suitable for resource estimation. Improvements need to be made to the QAQC procedures for exploration and blast hole drilling to bring them in line with current industry standards.

Mineral Reserve and Mineral Resource Estimates

The following tables set forth the resource estimate for the Cerro Colorado Mine and the results of the tonnage and grade estimation at various gold cut-off grades:

Estimated resources reported at a 0.25 grams per tonne gold cut-off for the Cerro Colorado Gold Mine. Tonnes are rounded to the nearest 1,000.

Classification	Tonnes (t)	Grams Per Tonne Gold	Ounces of Gold
Measured	107,000	0.63	2,157
Indicated	9,599,000	0.54	167,987
Measured + Indicated	9,706,000	0.55	170,144
Inferred	5,599,000	0.41	74,177

Tonnage and grade estimated at various gold cut-off grades. Base case highlighted.

Cut-off Grade (grams per tonne gold)	Measured			Indicated		
	Tonnes (000's)	Gold (grams per tonne)	Contained Gold (ounces)	Tonnes (000's)	Gold (grams per tonne)	Contained Gold (ounces)
0.20	157	0.50	2,520	12,369	0.47	187,899
0.25	107	0.63	2,157	9,599	0.54	167,987
0.30	89	0.70	1,994	7,602	0.62	150,422
0.40	73	0.78	1,815	5,142	0.75	123,171
Cut-off Grade (grams per tonne gold)	Measured + Indicated			Inferred		
	Tonnes (000's)	Gold (grams per tonne)	Contained Gold (ounces)	Tonnes (000's)	Gold (grams per tonne)	Contained Gold (ounces)
0.20	12,526	0.47	190,419	8,575	0.35	95,533
0.25	9,706	0.55	170,144	5,599	0.41	74,177
0.30	7,691	0.62	152,416	3,810	0.48	58,468
0.40	5,215	0.75	124,986	1,936	0.61	37,772

The distribution of drilling completed on the Cerro Colorado deposit provides a reasonable basis for estimating the shape and distribution of the mineralization. However, there are limited drill intervals which have intersected higher grade gold mineralization, especially in the Breccia Central area. Appropriate QAQC has not yet been completed to verify these grades and the drilling is not sufficiently spaced to well define the extents of this mineralization. The approach to top cutting the composited drill hole sample grades prior to block grade estimation is therefore believed to be an appropriate method to dealing with sporadic high grade values that have not been confirmed with appropriate QAQC. Additional close-spaced drilling and grade confirmation is required to gain a better understanding of the nature of the high grade mineralization on the Cerro Colorado Property.

Mineral Reserves Estimation

Mineral reserves have not yet been calculated from the 2009 resource estimates for the Cerro Colorado Gold Mine.

Mining Operations

Mining Method

Open pit mining by the Company at Cerro Colorado commenced in 2003. The mining bench height is typically 5 metres. Ore is hauled directly to the cyanide leach pads in 35 and 50 tonne trucks or is crushed to minus 4 inch and then taken to the leach pads. The crushing plant consists of a primary and a secondary crusher. The primary crusher reduces the rock size from 12 inches to 4 inches. Ore is fed into the crusher with a CAT 988 front end loader from the crusher stock pile. A secondary crusher has been leased from and is operated by a contractor. The secondary crusher consists of a screen deck that removes all material that meets production size. The remaining material is then crushed from 4 inch to -1 inch. The final product is moved to the fine ore stockpile on conveyor belts and is periodically hauled by truck and integrated into the leach pads.

Metallurgical Process

The carbon flow circuits used to adsorb gold are gravity flow adsorption trains typically used in the mining industry. Gold is recovered by 30 carbon columns (set up in 8 circuits - 6 circuits of 4 columns for the new leach pad and 2 circuits of 3 columns for the old leach pad) with a NaOH atmospheric strip circuit. Each column contains 0.5 tonnes of carbon. The total amount of carbon on-line is 15 tonnes. The pregnant solution flows through each column via gravity. Eight thousand tonnes of solution can be processed per day (i.e., 1,000 tonnes per circuit). The desorption circuit has been expanded to 4 columns with the capability to expand further to 10 columns. A second propane boiler (1,250,000 btu) was installed in the second half of 2009 with both boilers capable of stripping 5 tonnes of carbon per day. The old electro-winning cells were also replaced by 75 cubic foot-sized cell boxes.

Production Forecast

The plant expansion undertaken in 2009 has increased the approximate capacity of the plant to 30,000 ounces of gold per year. Based on ore grades, mining rates and expanded plant capacity, Goldgroup expects to produce 25,000 to 30,000 ounces of gold in 2010 at the Cerro Colorado gold mine.

Markets

Gold doré is shipped from the Cerro Colorado Gold Mine to a third party refiner in the United States. Gold and silver are recovered by the refiner in bullion form while other metals such as lead and copper are discarded. Goldgroup sells the majority of its gold bullion to Auramet Trading LLC ("Auramet") based out of New Jersey, USA. Goldgroup has the ability to enter a sales agreement with Auramet and can receive payment as soon as the doré arrives at the refinery. Legal title to the gold is also transferred to Auramet at the same time that payment is made. Revenue is realized at this point. The final refining is completed ten business days after the doré arrives at the refinery. Any remaining unsold gold bullion and all of the silver bullion is then sold to the refiner on the completion (outturn) date. Goldgroup is not obligated to sell its product to any one buyer. It can establish other precious metals sales contracts if it so chose.

Contracts

All mining equipment including fixed and mobile equipment was purchased by Granmin. Fuel is purchased at local prices. Drilling was outsourced to Medoza Drilling (a local drilling company) and Major Drilling de Mexico, S.A. de C.V. at competitive rates. Granmin Mexico has a shipping contract with Servicio Pan Americano de Protección S.A. de C.V. where the product is shipped to Nogales, the

main border city between Sonora, Mexico and Arizona, USA. At Nogales, the product is transferred to a Brinks Inc. (“Brinks”) armoured vehicle. Brinks delivers the doré to a storage area in Tucson, Arizona, to await shipment to the refiner via air transportation. Granmin Mexico and Goldgroup have a refining contract with Metalor USA Refining Corporation, Massachusetts, USA. Granmin Mexico and Goldgroup have a Master Purchase Contract for the sale of precious metals with Auramet Trading, LLC, based out of New Jersey, USA. Goldgroup does not have any hedging contracts in place.

Environmental

The Cerro Colorado mine operating facilities have been designed to mitigate environmental impacts. To prevent and control spills and protect water quality, the mine utilizes multiple levels of spill containment procedures and routine inspection and monitoring of its facilities. The mine has installed air pollution control devices on its facilities consistent with legal requirements. The mine also has water reuse and conservation programs. The mine uses dust suppression techniques to mitigate the impact of dust. All activities at Cerro Colorado are in compliance in all material respects with applicable corporate standards and environmental regulations.

Taxation

The Mexican Congress, in plenary sessions held on October 31 and November 1, 2009, approved the tax reform bill for 2010. The corporate income tax rate is increased from 28% to 30% for the period from January 1, 2010 through December 31, 2012, and will then be scaled back to 29% in 2013, and finally back to 28% in 2014 and future years. Mexico has a value-added tax (“IVA”) which is payable on goods and services but recoverable by Granmin Mexico after filing the appropriate documentation with the Mexican tax authorities. The IVA rate increased from 15% to 16% (from 10% to 11% in the border zone) on January 1, 2010. Certain limited term transition rules will apply.

Payback

The Cerro Colorado gold mine has been in operation since 2004. The initial capital cost has been recovered. Expenditures on ongoing capital projects such as the secondary crushing system are evaluated on an item by item basis. The expected payback on the crushing system is about one year.

Mine Life

The estimated mine life of the Cerro Colorado Gold mine is approximately four to five years.

Other Exploration Projects

Kenya Property

The Company owns a 90% interest in seventeen mineral concessions covering approximately 80,000 hectares in the state of Chihuahua, Mexico.

Pursuant to an agreement executed December 18, 2007 and registered in the Mexican Public Register of Mines on June 30, 2008 (the “Kenya Agreement”), the Company maintains an interest in five additional mineral concessions in the area covering approximately 1,000 hectares. The Kenya Agreement has a four-year term ending on December 17, 2011. Under the Kenya Agreement, the Company has agreed to spend \$1,000,000 over four years to develop the concessions. The Company may abort and terminate this agreement at any time upon 30 days notice without further financial obligation.

The Company may acquire an additional five concessions, located within the Kenya area, at any time during the term of the Kenya Agreement for an aggregate payment of \$2,000,000.

El Candelero Property

The Company's 100% owned subsidiary, GGR, is earning up to 70% on the El Candelero project which consists of eight mineral concession claims covering 26,676 hectares and is located on the border of the States of Sinaloa and Durango, approximately 130 kilometres northeast of Mazatlan in central west Mexico.

Exploration work on the property has been deferred due to local unrest in the area of the property since early 2009 and by June 2, 2009 GGR was in default of funding the work costs. As a result, in June, 2010 GGR declared force majeure, as allowed under the option agreement. The funding of work costs will resume once force majeure no longer exists.

San Martin Property

The San Martin property, located in Sinaloa, Mexico, was acquired as part of the reverse take-over of Sierra. No work has been performed on this property since 2003.

El Cobre Joint Venture

On February 5, 2010, the Company entered into a joint venture with Almaden Minerals Ltd. ("Almaden") on its El Cobre copper project, of which Almaden owns 60% and Goldgroup owns 40%. This project is operated by Almaden. On July 29, 2010 the Company contributed \$200,000 to the project. The El Cobre property covers 5,700 hectares and is 65 kilometres north northwest of Veracruz, Mexico.

El Cajon Property

The El Cajon project was acquired as part of the reverse take-over of Sierra. The Company retains 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 has retained a 2.5% NSR royalty on the entire concession group of which the Company can purchase back up to 1.5% for \$500,000 per 0.5% NSR. In order to maintain these concessions in good standing, the Company must make an annual payment of \$25,000 on November 1st of each year (2010 – paid).

On July 2, 2008, the Company through Granmin Mexico entered into an agreement with Hector Graham Soqui, ("Hector") to earn a 100% interest in 31 concessions in Sonora, Mexico. Under the terms of the agreement, Granmin Mexico was required to make certain monthly payments to Hector and Hector was required to provide certain documentation to Granmin Mexico during an evaluation phase. Following the completion of the evaluation phase, Granmin Mexico has the option of purchasing any or all of the concessions at pre-determined prices. Amounts paid during the evaluation phase by Granmin Mexico are creditable against the final purchase of any of the concessions. Property payments totalling \$220,000 were made in 2008 and 2009. No payments have been made since then. The Company is currently awaiting Hector to fulfill its obligations under the agreement to conclude the evaluation phase. Any additional payments will be capitalized at the time of final purchase.

ITEM 4 DIVIDENDS

Although the Board of Directors of the Company (the "Board") is permitted to declare dividends on the common shares from time to time out of available funds, it is the current policy of the Board to reinvest any profits in the development and advancement of the Company's business. No dividends have been declared on the common shares in the three most recently completed financial years.

ITEM 5 DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The Company's authorized share capital consists of an unlimited number of common shares without par value. As of March 31, 2011, the Company had 119,955,038 Common Shares issued and outstanding. All common shares of the Company rank equally as to dividends, voting powers and participation in assets and in all other respects. Certain of the rights and attributes of the Common Shares are described below.

Voting

The holders of Common Shares are entitled to receive notice of, attend and vote at any meeting of the shareholders of the Company. Each common share carries one vote per share.

Dividends

The holders of Common Shares are entitled to receive on a pro-rata basis such dividends as the Board of Directors from time to time may declare, out of funds legally available.

Rights on Dissolution

In the event of a liquidation, dissolution or winding up of the Company, or other distribution of its assets, the holders of the Common Shares have the right to receive on a pro-rata basis all of the assets of the Company remaining after payment of all of the Company's liabilities.

Pre-emptive, Conversion and Other Rights

No pre-emptive, redemption, sinking fund or conversion rights are attached to the Common Shares, and the Common Shares, when fully paid, will not be liable to further call or assessment. No other class of shares may be created without the approval of the holders of the Common Shares.

As at March 31, 2011, the Company also had the following options and warrants issued and outstanding:

- 8,586,183 common share purchase options with a weighted average exercise price of C\$0.85 expiring at various dates to January 31, 2015.
- 3,100,000 common share purchase warrants with an average exercise price of C\$1.24, with 100,000 expiring on June 18, 2011 and 3,000,000 expiring on November 26, 2015.

ITEM 6 MARKET FOR SECURITIES

Trading Price and Volume

The common shares of the Company are listed for trading on TSX under the current trading symbol GGA. Prior to the RTO, Sierra Minerals traded under the symbol SIM.

The following chart sets out the high and low trading prices, and volume of shares traded, for the period January 1, 2010 to May 6, 2010 for Sierra (SIM) and May 7 to December 31, 2010 for Goldgroup (GGA):

Trading Price and Volume for the Year 2010

Month	High \$	Low \$	Volume
January*	.390	.270	2,282,049
February*	.350	.260	9,585,171
March*	.305	.245	3,292,931
April*	.400	.280	9,239,399
May 1 – 6*	.390	.310	375,922
May 7 -31	1.150	.650	3,858,484
June	.750	.550	3,444,823
July	.750	.600	7,054,759
August	.820	.600	4,526,484
September	.870	.680	4,172,623
October	.950	.700	7,394,990
November	1.250	.900	5,316,885
December	1.430	1.090	8,317,714

**Trading price and volume is on a pre 2.85 share roll back basis*

ITEM 7 ESCROWED SECURITIES

As at March 31, 2011, none of the Company's issued and outstanding common shares were in escrow.

ITEM 8 DIRECTORS AND OFFICERS

The following table and the notes thereto set out the name, municipality and country of residence of each director and executive officer of the Company, their current position and office with the Company, their respective principal occupations during the preceding five years, the date on which they were first elected or appointed as a director or officer of the Company, the approximate number of common shares beneficially owned, directly or indirectly, or over which they exercise control or direction as at the date of this Annual Information Form:

Name, residency and position	Principal occupation	Year first became director or officer	Common Shares beneficially owned, directly or indirectly, or controlled or directed ⁽¹⁾	Number of options held
Gregg J. Sedun ⁽²⁾ British Columbia, Canada Executive Chairman	Executive Chairman, Goldgroup President, Global Vision Capital Corp. Chairman and CEO, Uracon Resources Ltd. President, GJS Capital Corp.	2010	1,050,000	840,000
Keith Piggott Sonora, Mexico Director, CEO and President	Director, CEO and President, Goldgroup Legal Representative - Granmin S.A. de C.V. and Minera Secotec S.A. de C.V. Former Director of Sierra	2006	14,622,445	1,140,000
John J. Sutherland British Columbia, Canada Vice President, Chief Financial Officer and Corporate Secretary	Vice President, Chief Financial Officer and Corporate Secretary, Goldgroup Certified General Accountant	2010	10,000	500,000
Kevin J. Sullivan Sonora, Mexico Vice President Exploration	Vice President Exploration, Goldgroup	2010	1,188,417	375,000
Robert M. Byford ^{(3)*} ^{(5)*} ⁽⁶⁾ British Columbia, Canada Director	Director, Goldgroup Chartered Accountant Director of and Advisor to Various Public and Private Companies	2010	100,000	225,000

Francisco Escandón-Valle Nuevo Laredo, Mexico Director	Director, General Manager, Caballo Blanco Project, Goldgroup Head of the Mexican Geological Survey from 2001-2007	2010	-	400,000
Corry J. Silbernagel ⁽³⁾ ⁽⁴⁾ ⁽⁵⁾ ⁽⁶⁾ *	Director, Goldgroup Partner of Bond Capital, a private equity fund	2010	500,907	325,000
Dr. Hans von Michaelis ⁽⁴⁾ ⁽⁵⁾ ⁽⁶⁾ Colorado, USA Director	Director, Goldgroup Chairman, President and CEO, Randol International Ltd. Business development consultant	2010	1,040,000	250,000
Paul L. Zweng ⁽³⁾ ⁽⁴⁾ ⁽⁶⁾ Hawaii, USA Director	Director, Goldgroup General Manager and Co-Founder of Resource Venture Advisors, LLC, and CEO and a Director of Bellhaven Copper and Gold Inc	2011	554,500	225,000

Notes:

(1) Information regarding common shares held does not include common shares issuable upon the exercise of options or warrants of the Company.

(2) Chairman of the Board of Directors.

(3) Member of the Audit Committee. (3 members)

(4) Member of the Compensation Committee. (3 members)

(5) Member of the Governance and Nominating Committee. (3 members)

(6) Member of the Special Committee. (4 members)

* Denotes committee chair.

The directors and officers of the Company, nine (9) in the aggregate, beneficially owned, directly or indirectly, or exercised control or direction over approximately 19,066,269 common shares or approximately 16% of the common shares of the Company issued and outstanding as at March 31, 2011.

Set forth below is the principal occupation during the five preceding years for the above-named directors and executive officers.

Gregg J. Sedun became Executive Chairman of the Company in April 2010. Mr. Sedun is the President of Global Vision Capital Corp., an independent venture capital firm based in Vancouver, Canada, as well as Chairman and CEO of Uracon Resources Ltd. (“Uracon”), a Canadian uranium exploration company. He is a former corporate finance/securities and mining lawyer, having practiced law for 14 years. Thereafter, he was president of another private venture capital firm for seven years and was President and CEO of Diamond Fields International Ltd., a TSX-listed company, for over two years. Mr. Sedun has been a founding shareholder and/or director in a number of successful companies including Diamond Fields Resources Inc. (acquired by Inco); Adastra Minerals Inc. (acquired by First Quantum Minerals); Peru Copper Inc. (acquired in an all-cash takeover by Chinalco); Geovic Mining Corp., which is developing a cobalt/nickel mine in Cameroon, Africa; and Luna Gold Ltd., which is developing a gold mine in Brazil.

Keith Piggott has been a Director since September 2006 and became Chief Executive Officer of the Company in April 2010 and President in March 2011. Over the last 40 years, Mr. Piggott has started and operated numerous underground, open cut and beach sand mines in Zambia, Australia, and Mexico. In addition to producing copper, cobalt, rutile, zircon, tungsten and tin at various times, Mr. Piggott has spent the majority of his career producing gold and silver. He has undertaken exploration work in Australia, Papua New Guinea, Chile, the United States of America, and various regions of Central America. Mr. Piggott has a wealth of experience in Mexico attained through operating a number of gold mines in the region for nearly 10 years. Mr. Piggott earned a Mining Engineering degree from the Camborne School of Mines in 1964 and completed the Executive Development Course at the London Business School in 1972.

John Sutherland has been Vice President, Chief Financial Officer and Secretary since April 2010. Mr. Sutherland has been a Certified General Accountant since 1976. He has been the Chief Financial Officer for Uracon Resources Ltd. since May, 2007. From March 2003 to September 2006, Mr. Sutherland was Vice President, Chief Financial Officer and a director of Tekion, Inc., a private company developing and marketing fuel cells. Between April 2002 and November 2002, he was the executive director of the Arthritis Research Centre of Canada. From May 2001 to February 2002, Mr. Sutherland was a Project Manager for International Absorbents Inc. From 2002 to December 2009, Mr. Sutherland was a director and audit committee chairman of Aquiline Resources Ltd. a publicly-held company listed on the Toronto Stock Exchange. Between 1996 and 2011, Mr. Sutherland has been a director/trustee of Polymer Solutions, Inc., a former publicly-held company that sold all of its assets effective as of February 2004. From 1988 to May 2010, he was a director and audit committee chairman of International Absorbents Inc., a publicly-held company listed on the American Stock Exchange. Mr. Sutherland is a director of Digital Shelf Space Corp. and Arco Resources Inc., both TSX.V listed companies.

Kevin Sullivan has been Vice President, Exploration since April 2010. Mr. Sullivan acts as Vice President, Exploration of the Corporation pursuant to a consulting agreement dated January 1, 2009 between Goldgroup Holdings Corp. and Minop.

Corry Silbernagel has been a Director of the Company since April, 2010. Mr. Silbernagel is a partner of a Vancouver-based private equity fund. Prior to this, Mr. Silbernagel was CFO of Cabo Drilling Corp., one of Canada's largest exploration drilling services companies following his role as a management and financial consultant and corporate advisor in strategy, finance, business development and marketing. As a professional engineer, Mr. Silbernagel has managed large-scale projects in excess of \$100 million in the mining and oil and gas industry for companies such as Suncor Energy and TransAlta Energy. Mr. Silbernagel holds a Masters of Business Administration from INSEAD in Fontainebleau, France and a Bachelors degree in Applied Science in Civil Engineering from the University of British Columbia.

Dr. Hans von Michaelis has been a Director of the Company since April 2010. Dr. Von Michaelis holds a PhD. in Geochemistry from the University of Cape Town in South Africa. He spent two decades conducting multi-client surveys of innovations in extractive metallurgy of gold, silver and uranium. He has organized numerous international conferences on gold and silver extraction and recovery on global and Mexican mining opportunities. Dr. von Michaelis is a former director of Glamis Gold Ltd. and several other junior resource companies. He is currently President of Randol International Ltd., a company he founded in 1977 to provide business development services, mostly to the mining industry. Dr. von Michaelis also serves on the advisory board of Strathmore Minerals Corp. He has been successful in advancing high pressure grinding rolls technology acceptance by the mineral processing industry. Among other business development achievements was his introduction of the Mulatos gold project to Alamos Minerals Ltd. He is the author of numerous technical and mineral economic publications and has presented at numerous international conferences.

Francisco Escandón-Valle has been a Director of the Company since June 2010. Mr. Escandón-Valle is a geological engineer graduate from the National University of México with more than 40 years of experience in the exploration and the mining industry. He was recently the Head of the Mexican Geological Survey from 2001 through 2007. Mr Escandón-Valle has a widely varied experience that includes mine design, metallurgical research, feasibility studies, environmental studies and management of operations at the San Juan de la Costa Phosphate and the Santo Domingo phosphate projects in Baja California. His responsibilities included mine and plant design, equipment selection and construction as well as design and construction of facilities and required infrastructure such as offices and warehouses, roads, power substation, water supply lines, tailings dams, landing strip water supply, reverse osmosis desalination plants, tailings dams, landing strip, power plant, and barge and ship harbours. Mr. Escandón-Valle was also in charge of the Cu-Co El Boleo project in Santa Rosalía BCS, with direct coordination of the feasibility studies that included all mine, plant and infrastructure design, roads, power plant, sulphuric acid plant, water supply, reverse osmosis desalination plant, tailings dams, garbage ponds and harbour. Other operations include, the La Brisca Gold Placer, Sonora and the Amelia-Maribel Gold Carlin Deposit. Mr. Escandón-Valle is fluent in English and Spanish and also is a "qualified person" in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101").

Robert M. Byford became a Director of the Company in June 2010. Mr. Byford is a former partner of KPMG LLP and Senior Vice President and Director of KPMG Corporate Finance Inc. He graduated from Simon Fraser University in 1969, obtained his professional qualification as a Chartered Accountant in 1971 and was recognized as an F.C.A. in 2009. He has a background in audit and tax and acquired significant experience with numerous public companies during his 39 years with KPMG and predecessor firms. In 1983, Mr. Byford became Managing Partner of the B.C. Region Consulting

Practice and was a founding Partner of the Firm's Corporate Finance Practice. Mr. Byford has acted as lead financial adviser on a wide range of finance, divesture and acquisition transactions in many industry sectors. He was an elected Governor of the Vancouver Stock Exchange and been a frequent speaker on corporate governance, securities and corporate finance matters. Mr. Byford is a Director of Western Copper Corporation (and member of its Audit Committee and Corporate Governance Committee) and Stone Crescent Charitable Foundation.

Paul L. Zweng became a Director in January 2011. Dr. Zweng's business career has focused on both the technical and financial side of exploration and mining companies over the past 25 years. He has received two B.Sc. degrees with distinction in Geology and Applied Earth Sciences (Mineral Economics) from Stanford University (California), a M.Sc. degree in Geology from Queen's University (Ontario) and a Ph.D. in Applied Earth sciences (Ore Deposits) from Stanford University (California)). He is currently a co-founder and general manager of Resource Venture Advisors, LLC, the general partner to Resource Venture Partners, LP, a private investment partnership. In May 2010, Dr. Zweng became interim CEO and a director of Bellhaven Copper and Gold Inc. In February 2003, he was a co-founder and director of Antares Minerals Inc., an exploration company publicly listed on the TSXV, with projects in Peru and Argentina, until purchased by First Quantum Mineral Ltd. in December, 2010. From February 2003 until September 2008, he was the COO and then president/chief executive officer of QGX Ltd, a coal mining company publicly-listed on the TSX until purchased by The Kerry Group (Hong Kong) in September 2008.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as disclosed below, to the knowledge of the Company, no director or executive officer of the Company:

- (a) is, as at the date of this Annual Information Form, or was within 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including the Company), that:
 - (i) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
 - (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of subsection (a), "order" means:

- (i) a cease trade order;
 - (ii) an order similar to a cease trade order; or
 - (iii) an order that denied the relevant company access to any exemption under securities legislation,
- that was in effect for more than 30 consecutive days.

On September 9, 2006, the British Columbia Securities Commission issued a cease trade order against all of the directors of Diamond Field International Limited, including Gregg J. Sedun, who was a director at the time, for that company's failure to file comparative financial statements for its financial year ended June 30, 2006, Management's Discussion and Analysis for the year ended June 30, 2006 and

Annual Information Form for the year ended June 30, 2006. On November 1, 2006, the cease trade order was revoked when all required filings was made.

On April 4, 2007, a management cease trade order was issued against all of the then directors of the Company, including Keith Piggott, for the Company's failure to file its financial statements by the required filing date under applicable Canadian securities laws for the fiscal year ended December 31, 2006. The cease trader order was lifted on June 28, 2007.

Except as stated below, to the knowledge of the Company, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially control of the Company

- a) is, as at the date of this Annual Information Form, or has been within the 10 years before the date of this Annual Information Form, a director or executive officer of any company (including the Company) that, while that person was acting in the that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- b) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

John Sutherland joined ASC Avcan Systems Corporation ("Avcan"); a company primarily engaged in providing technology services to utility companies, in March 1997 and was its President and Chief Executive Officer until his resignation on January 15, 2001. On January 31, 2001, Avcan's controlling shareholder placed the company in bankruptcy.

Board Committees

The Board has four standing committees: the audit committee (the "Audit Committee"), the governance and nominating committee (the "Governance and Nominating Committee"), and compensation committee ("Compensation Committee") and the special committee (the "Special Committee").

The Audit Committee is currently comprised of Messrs. Byford (Chair), Silbernagel and Zweng. Each member is independent within the meaning of NI 52-110. The Audit Committee aids management in fulfilling its responsibility for the integrity of the Corporation's internal accounting and control systems. The Audit Committee receives and reviews the financial statements of the Corporation and makes recommendations thereon to the Board prior to their approval by the full Board. The Audit Committee communicates directly with the Corporation's external auditors in order to discuss audit and related matters whenever appropriate. The Audit Committee charter can be found at Schedule "B" attached hereto and available on SEDAR (www.sedar.com). Additional information can be found under Section 14 of this Annual Information Form.

The Governance and Nominating Committee is comprised of Messrs. Byford (Chair), Silbernagel and von Michaelis. The Governance and Nominating Committee believe good corporate governance is a process used to oversee the management of the business affairs of the Company, in the best interests of the Company. The process and structure define the division of power between, and establish mechanisms for achieving accountability by the Board of Directors and senior management. In addition, based on the guidelines referred to in the Charter, the Committee, in consultation with the Chairman of the Board and the Chief Executive Officer, annually or as required, recruit and identify individuals qualified to become new Board members and recommend to the Board new director nominees for the each annual meeting of shareholders.

The Compensation Committee has been formed to assist the Board in fulfilling its responsibility to shareholders, potential shareholders and the investment community by reviewing and providing recommendations to the Board regarding compensation of the Corporation's executive officers, employees and directors, succession plans for executive officers, and the Corporation's overall compensation and benefits policies, plans and programs. The Compensation Committee responsible for establishing, administering and evaluating the compensation philosophy based on criteria including the Company's performance for the accomplishment of long-term strategic objectives. The Compensation Committee oversees the Company plans, i.e. the Stock Option Incentive Plan.

The Special Committee is comprised of all the independent members of the Board being Messrs. Byford, Silbernagel, von Michaelis and Zweng. The Committee's purpose is to review and analyze the issues pertaining to potential strategic alternatives for the Company, which analysis should include, but not be limited to, the advantages and disadvantages of any strategic alternatives available to the Company, and the appropriateness and form of any consideration in relation to the Company's shareholders in connection with any proposed transaction should also be considered.

Conflicts of Interest

The directors are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests that they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter.

To the best of the Company's knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest among the Company, its promoters, directors and officers or other members of management of the Company or of any proposed promoter, director, officer or other member of management as a result of their outside business interests, except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

All related party transactions during each reporting period are detailed in the Company's Management Discussion & Analysis for the fiscal year ended December 31, 2010.

The Executive Chairman of the Company is also the President of Uracon Resources Ltd. ("Uracon"). The companies share common office premises and have entered into a cost sharing arrangement, effective

February 1, 2007. At December 31, 2010, receivables include \$38,712 owing from Uracon for unpaid share of rent, administration staff salary and general office expenses.

There is a balance of \$4,582 owing from an officer of the Company.

ITEM 9 LEGAL PROCEEDINGS

The Company is not a party to any material legal proceedings or regulatory actions and is not aware of any such proceedings known to be contemplated.

ITEM 10 INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described below, in the three most recently completed financial years or the current financial year, no director, officer, insider or associate or affiliate of any director, officer or insider of the Company had or is expected to have any material direct or indirect transactions with the Company that materially affected or would materially affect the Company. All related party transactions are detailed in the Company's Management Discussion & Analysis for the fiscal year ended December 31, 2010.

Together, Piggott and Warman own or control Minera Secotec S.A. de C.V. ("Secotec"), a private company which previously owned the Cerro Colorado gold mine purchased by Granmin Mexico. Piggott and Warman at the time each also owned or exercised control or direction over more than 10% of the issued and outstanding shares of the Company.

Please note that transactions are translated at applicable average exchange rates but monetary assets and liabilities are translated at appropriate period end exchange rates. Accordingly while balance continuity can be reconciled in the original currency differences will arise due to translation in the amounts reported in US dollars.

The following transactions occurred with related parties during the year ended December 31, 2010:

At December 31, 2010, receivables include \$38,712 owing from Uracon Resources Ltd. ("Uracon") and \$4,582 owing from an officer of the Company. The amount owing from Uracon is for its unpaid share of rent, administration staff salary and general office expenses. The companies share common office premises and have entered into a cost sharing arrangement, effective February 1, 2007.

At December 31, 2010, accounts payable and accrued liabilities includes \$11,213 owing to an officer.

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

The following transactions occurred with Sierra's related parties during the years ended December 31, 2009 and 2008:

As at December 31, 2009 the Company owed Secotec \$293,467 (December 31, 2008 - \$438,024) for services provided and materials and supplies that Secotec obtained on behalf of Granmin Mexico. During the year ended December 31, 2009, Secotec invoiced the Company \$3,067 (2008 - \$74,879) and Granmin Mexico made payments to Secotec of \$146,751 (2008 - \$77,790). The resulting liability to Secotec has been included under the caption "Due to related party" and is denominated in Mexican Pesos.

Transactions referenced elsewhere in this document:

Transaction	Related Party
Warman I Loan	Warman Investments Pty. Ltd.
Warman II Loan	Warman Investments Pty. Ltd.
Piggott Loan	Keith Piggott
Shares issued for debt	Martin Walter
Sierra costs paid by Aquiline	Martin Walter and Aquiline Resources Inc.
Legal fees charged to Sierra	Michael Hobart and Fogler, Rubinoff LLP
Legal fees charged to Sierra	James Boyle and Boyle & Co. LLP

Accounts payable and accrued liabilities for Sierra included the following:

As at December 31,	2009 \$	2008 \$
Aquiline Resources Inc. – (i)	-	132,089
Directors fees payable	20,714	93,092
Fogler, Rubinoff LLP – (ii)	-	59,787
Wayne Acton (iii)	-	40,000
Boyle & Co. LLP – (iv)	-	13,900

- (i) The former President, Director and CEO of the Company was also an officer and director of Aquiline Resources Inc. ("Aquiline"). Up to June 30, 2008, the Company shared office premises with Aquiline and Aquiline provided administrative services to the Company and shared certain expenses. During the year ended December 31, 2009, Sierra paid Aquiline C\$140,727 as final settlement of this debt.
- (ii) The former Corporate Secretary of the Company is a partner with Fogler, Rubinoff LLP ("Foglers"). During the year ended December 31, 2009, Sierra paid C\$73,215 to Foglers as final settlement of this payable.
- (iii) This amount relates to fees owing to Mr. Wayne Acton incurred in his capacity as a former Chief Financial Officer of the Company. Mr. Acton ceased to be an officer of the Company during 2008. This amount was paid in full during the year ended December 31, 2009.
- (iv) The former Corporate Secretary of the Company, effective September 4, 2008, is a partner with Boyle & Co. LLP ("BoyleCo"). As at December 31, 2009 the Company owed \$Nil to BoyleCo (2008 - C\$17,021). During the year ended December 31, 2009, BoyleCo charged the Company C\$144,231 in legal fees (2008 – C\$55,888).

All of the above transactions with related parties are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties. Unless specifically noted as being included in “Due to related party” or “Loans payable”, all liabilities to related parties are included in “Accounts payable and accrued liabilities”.

ITEM 11 TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Investor Services Inc. Transfers may be affected in the City of Montreal, Quebec and registration facilities are maintained in the City of Montreal, Quebec.

ITEM 12 MATERIAL CONTRACTS

The Company is not a party to any material contracts entered into within the most recently completed financial year, or before the most recently completed financial year, but that are still in effect, other than those contracts entered into in the ordinary course of business.

ITEM 13 INTERESTS OF EXPERTS

Name of Experts

The audited consolidated financial statements of the Company for the period ended December 31, 2010 has been audited by Grant Thornton LLP, Chartered Accountants, of Suite 1600, Grant Thornton Place, 333 Seymour Street, Vancouver, BC V6B 0A4.

The Caballo Blanco Technical Report was prepared by J. Cuttle, P. Geo, and G. Giroux, P. Eng. of Giroux Consultants Ltd. as the independent “qualified person” under NI 43-101.

The San José de Gracia Technical Report was prepared by J. Cuttle, P. Geo., and G. Giroux, P. Eng. of Giroux Consultants Ltd. as the independent “qualified person” under NI 43-101.

The Cerro Colorado Gold Mine Technical Report dated March 15, 2010 was prepared by Caracle Creek International Consulting Inc., with Michelle Stone, P. Geo., Ph.D. as the independent “qualified person” under NI 43-101.

In connection with a proposed business combination with Goldgroup Resources Inc. (“Goldgroup”), Byron Capital Markets (A Division of Byron Securities Ltd.) (“Byron Capital”) prepared an independent Valuation Report dated January 13, 2010 in accordance with Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* and prepared a Fairness Opinion dated January 26, 2010 indicating that the proposed transaction with Goldgroup is fair from a financial point of view, to the shareholders of Sierra (other than Goldgroup and Keith Piggott).

Interests of Experts

As at March 31, 2011, to the best of the Company’s knowledge, J. Cuttle, P. Geo, and G. Giroux, P. Eng. of Giroux Consultants Ltd., Caracle Creek International Consulting Inc., Michelle Stone, and Byron

Capital, including its affiliates and associates did not own, beneficially, directly or indirectly, greater than 1% of the securities of the Company.

ITEM 14 AUDIT COMMITTEE

The Audit Committee is responsible for overseeing the Company’s accounting and financial reporting processes and the audits of the Company’s financial statements and to exercise the responsibilities and duties to assist the Board in fulfilling its responsibilities in reviewing the financial disclosures and internal controls over financial reporting; monitoring the system of internal control; monitoring the Company’s compliance with the binding requirement of any stock exchanges on which the securities of the Company are listed and all other applicable laws; selecting the external auditors for shareholder approval; reviewing the qualifications, independence and performance of the external auditor; reviewing the qualifications, independence and performance of the Company’s financial management; and identifying, evaluating and monitoring the management of the Company’s principal risks impacting financial reporting. The Committee also assists the Board with the oversight of the financial strategies and overall risk management.

The full text of the Charter of the Audit Committee is included as Schedule "B" to this Annual Information Form.

Composition of the Audit Committee

The Audit Committee of Goldgroup is comprised of the following members of the Board:

Name	Corporate Position	Independent	Financial Literacy
Robert Byford	Director	Yes	Yes
Corry Silbernagel	Director	Yes	Yes
Paul Zweng	Director	Yes	Yes

The following table describes the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member:

Name of Audit Committee Member, Relevant Experience and Qualifications

Robert Byford	Robert M. Byford, FCA, was appointed as a director in June 2010. He is a former partner of KPMG LLP and Senior Vice President and Director of KPMG Corporate Finance Inc. He has a background in audit and tax and acquired significant experience with numerous public companies during his 29 years with KPMG and predecessor firms. In 1983 Mr. Byford became Managing Partner of the BC Region consulting practice and was a founding partner of the firm’s corporate finance practice. Mr. Byford has acted as lead financial advisor on a wide range of finance, divestiture and acquisition transactions in many industry sectors. He was an elected Governor of the Vancouver Stock Exchange and has been a frequent speaker on corporate governance, securities and corporate finance matters. He graduated from Simon Fraser University in 1969 and obtained his professional qualification as a Chartered Accountant in 1971.
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Corry J. Silbernagel	Corry J. Silbernagel became a director of Goldgroup in April 2010 and was a Director of Pre-RTO Goldgroup in 2006. Mr. Silbernagel is a partner of a Vancouver-based private equity fund. Prior, Mr. Silbernagel was CFO of Cabo Drilling Corp., one of Canada's largest exploration drilling services companies following his role as a management and financial consultant and corporate advisor in strategy, finance, business development and marketing. As a professional engineer, Mr. Silbernagel has managed large-scale projects in excess of \$100 million in the mining and oil and gas industry for companies such as Suncor Energy and TransAlta Energy. Mr. Silbernagel holds a Masters of Business Administration from INSEAD in Fontainebleau, France and a Bachelors degree in Applied Science in Civil Engineering from the University of British Columbia.
Paul L. Zweng	Paul L. Zweng became a Director in January 2011. Dr. Zweng's business career has focused on both the technical and financial side of exploration and mining companies over the past 25 years. He has received graduate degrees in fields related to earth sciences from Stanford University (Ph.D.) and Queen's University (M.Sc). He is currently a general manager and co-founder of Resource Venture Advisors, LLC, the general partner to Resource Venture Partners, LP, a private investment partnership. Dr. Zweng is currently interim CEO and a Director of Bellhaven Copper and Gold Inc. He was a co-founder and director of Antares Minerals, a Canadian Junior Company purchased by First Quantum in 2010 and CEO of QGX Ltd, a Canadian Junior Company purchased by the Kerry Group in 2008.

External Auditor Service Fees

Expressed in 000's of C\$	2010 Fee Amount	2009 Fee Amount	2008 Fee Amount
Audit Fees	\$117	\$ 70	\$ 60
Audit Related Fees	\$171	\$ 20	\$ 25
Tax Fees	\$ 32	Nil	Nil
All Other Fees	Nil	Nil	Nil
Total:	\$320	\$ 90	\$ 85

Reliance on Certain exemptions

Since the commencement of 2010, the Company's most recently completed financial year, the Company has not relied on:

- a) The exemption in section 2.4 of MI 52-110 (De Minimis Non-audit Services)
- b) The exemption in section 3.2 of MI 52-110 (Initial Public Offerings)
- c) The exemption in section 3.4 of MI 52-110- (Events Outside Control of Member)
- d) The exemption in section 3.5 of MI 52-110 (Death, Disability or Resignation of Audit Committee Member) or
- e) An exemption from MI 52-110, in whole or in part, granted from Part 8 (Exemptions).

Reliance on the Exemption in Subsection 3.3(2) or Section 3.6

Since the commencement of 2010, the Company's most recently completed financial year, the Company has not relied on the exemption in subsection 3.3(2) of MI 52-110 (Controlled Companies) or section 3.6 of MI 52-110 (Temporary Exemption for Limited and Exceptional Circumstances).

Reliance on Section 3.8

Since the commencement of 2010, the Company's most recently completed financial year, the Company has no need to rely on the exemption in section 3.8 of MI 52-110 (Acquisition of Financial Literacy) as all members of the Audit Committee are financially literate.

Audit Committee Oversight

At no time since the commencement of 2010, the Company's most recently completed financial year, has a recommendation of the Audit Committee to nominate or compensate an external auditor, not been adopted by the board of directors of the Company.

Pre-Approval Policies and Procedures

The Audit Committee has the sole authority to review in advance and grant any appropriate approvals of all auditing services to be provided by the external auditors of the Company and any non-audit services to be provided by the external auditors of the Company as permitted by applicable securities laws and the Toronto Stock Exchange.

The audit committee has adopted the following policies and procedures for the engagement of non-audit services by the Company's external auditors.

Each year management presents a forecast to the Audit Committee of those services that it anticipates will be required for the coming year. These services fall into three board categories, namely:

Audit

- Audit of consolidated financial statements.
- Consultation with respect to implementation of new accounting and reporting guidance.
- Other consultation with respect to accounting and reporting issues.
- Quarterly reviews of interim consolidated financial statements.
- Audit of subsidiary financial statements.
- Services associated with registration statements, prospectuses, periodic reports and other documents filed with securities regulatory bodies or other documents issued in connection with services or offerings (e.g. comfort letters, consents).

Audit Related Services

- Guidance with respect to documentation and testing of internal controls pursuant to SOX 404.
- Consultations by the Corporation's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations on proposed transactions that are not reflected in the financial statements.

Tax

- Canadian tax compliance.

- Canadian and international tax planning and advisory services.

External Auditor Service Fees (By Category)

Audit Fees

During the financial year ended December 31, 2010, Grant Thornton, the Corporation's external auditor (the "External Auditor") billed the Corporation C\$116,671 for audit services. During the financial year ended December 31, 2009, the External Auditor billed the Corporation C\$70,000 for audit services.

Audit-Related Fees

During the financial year ended December 31, 2010, the External Auditor billed the Corporation C\$171,264 for other professional services performed (2009 - C\$20,000).

Tax Fees

During the financial year ended December 31, 2010, the External Auditor billed the Corporation C\$32,065 for tax return preparation and advice related to tax compliance, tax advice and tax planning ("Tax Services"). During the financial year ended December 31, 2009, the External Auditor billed the Corporation nil for Tax Services.

All Other Fees

During the financial years ended December 31, 2010 and 2009, the External Auditor did not bill the Corporation for any other professional services performed in connection with other services.

ITEM 15 ADDITIONAL INFORMATION

Financial information about the Company is contained in its comparative financial statements and Management's Discussion & Analysis for the fiscal years ended December 31, 2010 and 2009, and additional information relating to the Company is available on SEDAR, under the Company's name, at www.sedar.com as well as from the Company's website at www.goldgroupmining.com.

Additional information, including directors' and officers' remuneration and indebtedness, the principal holders of the Company's securities authorized for issuance under equity compensation plans, where applicable, is contained in the Company's Management Information Circular filed on SEDAR on June 3, 2010 in connection with its annual meeting of shareholders held on June 30, 2010.

Qualified Person

Unless otherwise indicated, Goldgroup and Kevin James Sullivan, B.Sc. M.AusIMM, Goldgroup's Vice-President, Exploration, who is the qualified person for the purpose of NI 43-101 have reviewed, verified and compiled the scientific and technical information in this MD&A ("Technical Information") in accordance with National Instrument 43-101 – Standards of Disclosure for mineral projects ("NI 43-101") based on information contained in the technical reports and news releases ("collectively the "Disclosure Documents") available under Goldgroup's company profile on SEDAR at www.sedar.com and on the Company's website. Each Disclosure Document was prepared by or under the supervision of a qualified person (a "Qualified Person") as defined in National Instrument 43-101- Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators ("NI 43-101"). Readers are

encouraged to review the full text of the Disclosure Documents which qualifies the Technical Information. Readers are advised that mineral resources that are not mineral reserves do not have demonstrated economic viability. The Disclosure Documents are each intended to be read as a whole and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

SCHEDULE "A" AUDIT COMMITTEE CHARTER

A. Introduction and Purpose

1. The primary function of the Audit Committee of Goldgroup Mining Inc. (the "Committee") is to oversee the accounting and financial reporting processes of the Company and the audits of the Company's financial statements and to exercise the responsibilities and duties set forth below, including, but not limited to, assisting the Board in fulfilling its responsibilities in reviewing the following financial disclosures and internal controls over financial reporting; monitoring the system of internal control; monitoring the Company's compliance with the binding requirement of any stock exchanges on which the securities of the Company are listed and all other applicable laws (collectively, the "Applicable Requirements"); selecting the external auditors for shareholder approval; reviewing the qualifications, independence and performance of the external auditor; reviewing the qualifications, independence and performance of the Company's financial management; and identifying, evaluating and monitoring the management of the Company's principal risks impacting financial reporting . The Committee also assists the Board with the oversight of the financial strategies and overall risk management..
2. The Committee is not responsible for: planning or conducting audits; certifying or determining the completeness or accuracy of the Company's financial statements or that the financial statements are in accordance with generally accepted accounting principles or international financial reporting standards, as applicable; or guaranteeing the report of the Company's external auditor. The fundamental responsibility for the Company's financial statements and disclosure rests with management and the external auditor.

B. Membership and Organization

1. **Composition** – The Committee shall consist of not less than three independent members of the Board. At the invitation of the Committee, members of the Company's management and others may attend Committee meetings as the Committee considers necessary or desirable.
2. **Appointment and Removal of Committee Members** – Each member of the Committee shall be appointed by the Board on an annual basis and shall serve at the pleasure of the Board, or until the earlier of (a) the close of the next annual meeting of the Company's shareholders at which the member's term of office expires, (b) the death of the member, or (c) the resignation, disqualification or removal of the member from the Committee or from the Board. The Board may fill a vacancy in the membership of the Committee
3. **Independence** – Each member of the Committee shall meet the independence and audit committee composition requirements of the Applicable Requirements.
4. **Financial Literacy** – At the time his or her appointment to the Committee, each member of the Committee shall be financially literate and able to read and understand a set of financial statements, including a balance sheet, cash flow statement and income statement, that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

C. Meetings

1. **Meetings** – The members of the Committee shall hold meetings as are required to carry out this mandate, and in any case no less than four meetings annually. The external auditors and non-Committee board members are entitled to receive notice of and attend and be heard at each Committee meeting. The Chair, any member of the Committee, the external auditors, the Chairman of the Board, the Chief Executive Officer or the Chief Financial Officer may call a meeting of the Committee by notifying the Company’s Corporate Secretary who will notify the members of the Committee. The Chair shall chair all Committee meetings that he or she attends, and in the absence of the Chair, the members of the Committee present may appoint a chair from their number of a meeting.
2. **Quorum** – A majority of the members of the Committee shall constitute a quorum. The affirmative vote of a majority of the members of the Committee participating in any meeting of the Committee is necessary for the adoption of any resolution of the Committee.
3. **Access to Management and Outside Advisors** – The Committee shall have unrestricted access to the Company’s management and employees and the books and records of the Company, and, from time to time may hold unscheduled or regularly scheduled meetings or portions of the regularly scheduled meetings with the external auditor, the Chief Financial Officer or the Chief Executive Officer. The Committee shall have the authority to retain and terminate external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective compensation for these advisors without consulting or obtaining the approval of the Board or any Company officer.
4. **Funding** – The company shall provide appropriate funding, as determined by the Committee, for:
 - a. the payment of compensation to any external auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services of the Company;
 - b. payment for the services of any advisors retained by the Committee; and
 - c. the ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
5. **Meetings Without Management** – The Committee shall hold unscheduled or regularly scheduled meetings, or portions of regularly scheduled meetings, at which only independent directors are present.

D. Functions and Responsibilities

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the duties required of an audit committee by the Applicable Requirements.

1. Financial Reports

- a. General – The Committee is responsible for overseeing the Company’s financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the Company’s financial statements and financial disclosures and for the appropriateness of the account principles and the reporting policies used by the Company. The external auditors are responsible for auditing the Company’s annual consolidated financial statements and for reviewing the Company’s unaudited interim financial statements.
- b. Review of Annual Financial Reports – The Committee shall review the annual consolidated audited financial statements of the Company, the external auditors’ report thereon, the related management’s discussion and analysis of the Company’s financial condition and results of operation (“MD&A”), and the financial disclosure in any earnings press release. After completing its review, if advisable, the Committee shall recommend for Board approval the annual financial statements, the related MD&A, and the earnings release.
- c. Review of Interim Financial Reports – The Committee shall review the interim consolidated financial statements of the Company, the external auditors’ review report thereon, the related MD&A, and the financial disclosure in any earnings press release as well as the release of significant new financial information. After completing its review, if advisable the Committee shall recommend for Board approval the interim financial statements, the related MD&A, and the earnings release.
- d. Review Considerations – In conducting its review of the annual financial statements or the interim financial statements, the Committee shall:
 - i. meet with management, the external auditors to discuss the financial statements and MD&A;
 - ii. review the disclosures in the financial statements;
 - iii. review the audit report or review report prepared by the external auditors;
 - iv. discuss with management, the external auditors and legal counsel, as requested, any pending or threatened litigation claims and assessments or other contingency that could have a material effect on the financial statements;
 - v. review critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;
 - vi. review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management;
 - vii. review critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;
 - viii. review the use of any non-GAAP financial measures, including “pro forma” or “adjusted” information;
 - ix. review management’s report on the design and effectiveness of disclosure controls and procedures and internal controls over financial reporting;
 - x. review results of the Company’s whistle blower program;
 - xi. meet in private with external auditors and one or more senior executives; and
 - xii. review any other matters related to the financial statements that are brought forward by the external auditors and amendment or which are required to be communicated to the Committee under accounting policies, auditing standards or Applicable Requirements.

xiii. If the Company's lists its securities on a stock exchange in a jurisdiction other than Canada the Audit Committee should review the equivalent applicable documentation and procedures.

xiv. Maintain minutes of meetings and periodically report to the Board of Directors on significant results of the foregoing activities.

e. Approval of Other Financial Disclosures – The Committee shall review and if advisable, approve and recommend for Board approval financial related disclosure in a prospectus or other securities offering documents, annual report, annual information form and managements information or proxy circular of the Company.

The Committee will be satisfied that adequate procedures are in place of the review of the Company's public disclosure of financial information extracted or derived from the financial statements and must periodically assess the adequacy of those procedures.

2. **Auditors**

a. General – The Committee shall be directly responsible for oversight of the work of the external auditors, including the external auditors work in preparing or issuing an audit report, performing other audit review, or attest services of any other related work. The external auditors shall report directly to the Committee and the Committee shall have authority to communicate directly with the Company's external auditors.

b. Appointment of Other Financial Disclosures – The Committee shall review and if advisable select and recommend to the Board the appointment of the external auditors. The Committee shall review and recommend for Board approval the compensation of the external auditors.

c. Resolution of Disagreements – The Committee shall resolve any disagreements between management and the external auditors as to financial reporting matters brought to its attention.

d. Discussions with External Auditor – At least annually, the Committee shall discuss with the external auditor such matters as are required by applicable auditing standards to be discussed by the external auditor with the audit committee, including the matters required to be discussed by Applicable Requirements and review with the external auditor any difficulties encountered in the course of the audit work or otherwise, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management; receive from and review with the independent auditor any accounting adjustments that were noted or proposed by the auditor but that were "passed" (as immaterial or otherwise), any "management" or "internal control" letter or schedule of unadjusted differences issued, or proposed to be issued, by the auditor to the Company, or any other material written communication provided by the auditor to the Company's management.

e. External Audit Plan – At least annually, the Committee shall review a summary of the external auditors/ annual audit plan. The Committee shall consider and review with the external auditors any material changes to the scope of the plan.

f. Quarterly Review Report – The Committee shall review a report prepared by the external auditors in respect of each of the interim financial statements of the Company and any other material communication between the external auditor and management.

g. Independence of External Auditors – At least annually, and before the external auditors issue their report on the annual financial statements, the Committee shall: obtain from the

external auditors a formal written statement describing all relationships between the external auditors and the Company; discuss with the external auditors any disclosed relationships or services that may affect the objectivity and independence of the auditors; and obtain written confirmation from the external auditors that they are objective and independent within the meaning of the applicable Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which it belongs and other Applicable Requirements. The Committee shall take appropriate action to oversee the independence of the external auditors.

- h. Evaluation and Rotation of Lead Partner – At least annually, the Committee shall review the qualifications and performance of the lead partner of the external auditors. The Committee shall obtain a report from the external auditors annually verifying that the lead partner of the external auditors has served in that capacity for no more than five fiscal years of the Company and that the engagement team collectively possesses the experience and competence to perform an appropriate audit.
- i. Hiring of Former Employees of External Auditor – The Committee shall review and approve the Company’s hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.
- j. Requirements for Pre-Approval of Non-Audit Services – The Committee shall approve in advance any retainer of the external auditors to perform any non-audit service to the Company in accordance with Applicable Requirements, specifically relating to such non-audit services. The Committee may delegate preapproval authority to a member of that Committee. The decisions of any member of the Committee to whom this authority has been delegated must be presented to the full Committee at its next scheduled Committee meeting. Approval by the Committee of a non-audit service to be performed by the external auditor of the Company shall be disclosed in periodic reports as required by the Applicable Requirements.

3. Internal Accounting and Disclosure Controls

- a. General – The Committee shall review the adequacy of the Company’s internal accounting and disclosure controls, its management information systems and its financial, auditing and accounting organizations and systems.
- b. Establishment, Review and Approval – the Committee shall require management to implement and maintain appropriate systems of internal control in accordance with applicable laws, regulations and guidance, including internal control over maintenance of records, financial reporting and disclosure and to review , evaluate and approve these procedures. At least annually, the Committee shall consider and review with management and the external auditors:
 - i. the effectiveness of, or weaknesses or deficiencies in: the design or operating effectiveness of the Company’s internal controls the overall control environment for management business risks; and accounting, financial and disclosure controls (including without limitation, controls over financial reporting) non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management’s conclusions;
 - ii. any significant changes in internal control over financial reporting that are disclosed, or considered for disclosure, including those in the Company’s periodic regulatory filings;
 - iii. any material issues raised by any inquiry or investigation by the Company’s regulators;

- iv. the Company's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Company to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting; and
 - v. any related significant issues and recommendations of the auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.
- 4. Compliance with Legal and Regulatory Requirements** – The Committee shall receive and review regular reports from the Company's General Counsel and other management members on: legal or compliance matters that may have a material impact on the Company; the effectiveness of the Company's compliance policies; and any material communications received from regulators. The Committee shall review management's evaluation of and representations relating to compliance with specific Applicable Requirements, and management's plans to remediate any deficiencies identified.
- 5. Committee Whistleblower Procedures** – The Committee shall establish or oversee the establishment of procedures for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the company of concerns regarding outside advisors, as necessary or appropriate, to investigate the matter and will work with management, external auditors, and the general counsel to reach a satisfactory conclusion.
- 6. Compliance with Code of Business Conduct** – The Committee shall:
- a. at least annually, review and assess the adequacy of and, if advisable, approve and recommend for Board approval, any amendments to the Company's Code of Business Conduct;
 - b. review and, if advisable, approve the Company's processes for administering the Code of Business Conduct;
 - c. review, on a regular basis, summaries of the usage of, and the matters being reported to, the whistle blower services;
 - d. review with management the results of their assessment of the Company's compliance with the Code of Business Conduct and their plans to remediate any deficiencies identified; and
 - e. review and, if advisable, approve any waiver from a provision of the Code of Business Conduct requested by a member of the Board or senior management.
- 7. Committee Disclosure** – The Committee shall prepare, review and approve any audit committee disclosures required by the Applicable Requirements in the Company's disclosure documents.
- 8. Delegation** – The Committee may, to the extent permissible by Applicable Requirements, designate a sub-committee to review any matter within this mandate as the Committee deems appropriate.

E. Financial Instruments, Risk Assessment and Risk Management

1. **Monitor** – The Committee shall review and monitor the management of the principal financial risks that could materially impact the reporting of the Company.
2. **Processes** – the Committee shall review and monitor the processes in place for identifying principal financial risks and reporting them to the Board.
3. **Assessment** – the Committee shall review policies with respect to the management of capital and financial instrument risk management, including:
 - a. Review and periodic approval of managements financial instrument risk philosophy and management policies;
 - b. Review management reports of demonstrating compliance with risk management policies; and
 - c. Discussing with management, at least annually, the Company’s major financial risk exposures and the steps management has taken to monitor, control and report such risks.

F. Reporting to the Board

The Chair shall report to the Board, as required by Applicable Requirements or as deemed necessary by the Committee or as requested by the Board, on matters arising at Committee meetings and, where applicable, shall present the Committee’s recommendation to the Board for its approval.

G. General

1. **Authority** – The Committee shall, to the extent permissible by Applicable Requirements, have such additional authority as may be reasonably necessary or desirable, in the Committee’s discretion, to exercise its powers and fulfill its duties under this mandate.
2. **Charter Review** – The Committee shall review this Charter on an annual basis or more frequently, as required. Where appropriate, the Committee shall propose changes to this Charter to the Board.

H. Performance Evaluation

The Committee shall assess and report annually to the Board on the performance of the Committee by comparing the performance of the Committee against this Charter and the Committee’s goals and objectives for the year.

Reviewed by the Audit Committee on the 11th day of August, 2010
Approved by the Board of Directors on the 24th day of August. 2010.