



## Goldgroup Mining: a gold company that has it all

In a September 8, 2010 news release, Keith Piggott, CEO of **Goldgroup Mining Inc.** [GGA-TSX] stated, "Following the sale of the company's El Porvenir Project (see news release July 12, 2010) which netted Goldgroup US\$23.3 million, we have the cash to continue to advance both the San José de Gracia Project and our 70%-owned Caballo Blanco Project in Veracruz, Mexico, further supported by positive operating cash flow from our 100%-owned Cerro Colorado gold mine in Sonora, Mexico. With cash in the bank, significant assay results and record high gold prices, this is an extremely exciting time for Goldgroup shareholders."

It is not often we come across a company that represents everything we want in a gold story: strong management with a history of proven success, committed and strategic shareholders potentially offering leverage for future financing and acquisition, plenty of cash in the treasury and, maybe most importantly, profitable gold production complemented with aggressive development and exploration. Let's first go over the history of a couple senior management members as we think it is important to review what we think is a first class team running this company.

Keith Piggott graduated in Mining Engineering from the Camborne School of Mines in the UK and from the Executive Development Program at the London Business School. Over the past 30 years, he has started and produced numerous gold/silver, tin, tungsten, rutile/zircon open pit and heap leach mines in Australia and Mexico using new technologies to maximize profits. For the last 12 years, he has focused on projects in Mexico and Latin America. He has launched two Mexican gold mines which have both been in continuous production for 12 and five years, respectively.

Complementing Keith Piggott is Gregg

Sedun, Executive Chairman. Sedun is President of Global Vision Capital Corp., an independent venture capital firm based in Vancouver. Through practicing law for 14 years as a corporate finance/securities and mining lawyer he became an integral participant in the mining and metals community. Sedun has been a founding shareholder and/or director in a number of successful companies including Diamond Fields Resources Inc. (acquired by Inco for \$4.3 billion in the largest takeover of a Canadian junior mining company); Adastra Minerals Inc. (acquired by First Quantum Minerals for approximately \$300 million in stock); Peru Copper Inc. (acquired in an all-cash \$840 million takeover by Chinalco); Geovic Mining Corp., which is developing a world-class cobalt/nickel mine in Cameroon, Africa (raised over \$100 million of equity in its first year as a public company); and Uracan Resources Ltd., which has discovered a large uranium resource in Canada of over 40 million lbs and growing.

On August 4, 2010 the company announced a production milestone of 100,000 ounces produced since operations started on their 100%-owned Cerro Colorado Gold Mine in Sonora, Mexico and they plan to end the year with projected production of 25,000 ounces in 2010 alone. It is also worthy to note all current production is un-hedged.

The estimated measured and indicated mineral resource on Cerro Colorado is 170,000 oz gold (9.7M tonnes @ 0.54 g/t). The estimated inferred mineral resource is 74,000 oz gold (5.6M tonnes @ 0.41 g/t). Now, before you think that is too low of a grade to make money, think again. The company estimates a profit margin of \$500/oz at \$1,100/oz gold. This mine offers shareholders the opportunity to enjoy production and cash flow upside while management pays attention to advancing

their development and exploration stage projects.

Speaking of potential development and exploration upside, let's look at Caballo Blanco and San Jose Gracia. Caballo Blanco is Goldgroup's flagship project. Here's why: Goldgroup acquired an option to purchase 70% interest from **NGEx Resources Inc.** (Lundin Group) for \$15 million, \$6 million in cash and 9 million shares. NGEx is the main exploration unit for the Lundin Group and they now own 10.5% of Goldgroup.

The Caballo Blanco property is located on the Gulf of Mexico, approximately 65 km by paved road, north-northwest of the city of Veracruz, in the state of Veracruz. It consists of 15 mineral claims covering an area of 500 square km. Noteworthy drill intercepts include 2.194 grams gold/tonne over 89.91 metres (hole 08CDN 04) and 0.584 grams/tonne over 216.41 metres (hole 07CBN 02). The current estimated indicated mineral resource stands at 139,000 oz gold (6.7M tonnes at 0.65 g/t). The estimated inferred mineral resource stands at 517,000 oz gold (27.6M tonnes at 0.58 g/t). Goldgroup anticipates annual production of 100,000 oz to start on Caballo Blanco in two years.

It is important to note the indicated and inferred resources are on only the La Paila Zone (900 by 450 metres within the Northern Zone) and the deposit is open in three directions according to the company, with multiple anomalies in the concession area hosting significant potential to add ounces.

Three large areas of epithermal gold and porphyry copper gold mineralization have actually been discovered at Caballo Blanco, referred to as the Northern Zone (La Paila), Highway Zone and Red Valley Zone. The Northern Zone and the Highway Zone are prominent high-sulphidation epithermal gold prospects that occur within

extensive areas of clay and silica alteration. In the Northern Zone, silica and associated argillic alteration cover an area of over 20 square km. As we write this, the company has also just announced an \$8.5 million (30,000 metres) multi-phase drill program on Caballo Blanco which started at the end of September. This program is specifically designed to expand and upgrade the current NI 43-101 compliant resource on La Paila and to test other highly prospective areas.

Let's discuss San Jose de Gracia. San Jose de Gracia is recognized by the state of Sinaloa, Mexico, as "the most significant gold project in the state". This award not only lends itself to the commitment the state has to Goldgroup and this project, but to the significance and potential of the project itself, where historical production is greater than 1 million oz gold averaging 30-60 grams gold/tonne.

The current inferred mineral resource is estimated to be 3.4 million tonnes at 5.59 grams gold/tonne, 10.02 grams silver/tonne, 0.2% copper, and 0.18% zinc. This

comes in at 618,000 oz gold, 1,109,000 oz silver, 15,175,000 lbs copper, and 13,657,000 lbs zinc. The company plans annual production to start in approximately 36 months and, at a 2.0 grams gold/tonne cut-off grade, the company expects this to be a highly profitable project with average grades being several times that. Goldgroup Mining is also near completion of their phase II 15,000 metre drill program on the project this year and continues to intersect significant gold mineralization. Out of the 63 hole drill program 31 holes have been released to date and we expect highlights on the balance to be out very shortly. We also expect an updated 43-101 compliant mineral resource calculation out sometime before the end of the year.

If you want exposure to gold equities this fall, we think this is an excellent place to start. This is a company that plans on growing to a +200,000 oz/year Mexican gold producer in three years. We think the company has plenty of upside potential through acquisition, development, and

drilling with downside protection through current production and cash flow. Not to mention, having shareholders like Sprott Asset Management, Front Street Capital, Libra Advisors, among others, and Ian Telfer (Chairman of Goldcorp), also make this gold equity stand out in our opinion. Stay tuned for more from Goldgroup Mining this fall. ■

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