

CAZA GOLD CORP.

(Date of Incorporation: November 15, 2007)

Consolidated Financial Statements

Six Months ended June 30, 2008

(Unaudited – Prepared by Management)

Notice to Readers of the Interim Unaudited Consolidated Financial Statements
For the Six Months Ended June 30, 2008

The interim unaudited consolidated financial statements of Caza Gold Corp. (the “Company”) for the six months ended June 30, 2008 (“Financial Statements”) including the comparative financial statements at December 31, 2007 have been prepared by management. The Financial Statements are stated in terms of Canadian dollars, unless otherwise indicated, and are prepared in accordance with Canadian generally accepted accounting principles.

CAZA GOLD CORP.

(Date of incorporation: November 15, 2007)

Consolidated Balance Sheets

(Unaudited – Prepared by Management)

	June 30, 2008	December 31, 2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 436,622	\$ 299,810
Receivables and prepaids	116,249	424
	552,871	300,234
Noncurrent Assets		
Mineral properties (Note 6)	760,741	-
Equipment (Note 7)	3,157	-
	763,898	-
	\$ 1,316,769	\$ 300,234
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 278,864	\$ 26,740
Notes payable (Note 8)	314,723	300,962
	593,587	327,702
Shareholders' Equity		
Share capital (Note 9)	301,284	1
Common shares subscribed (Note 9)	550,000	-
Deficit	(128,102)	(27,469)
	723,182	(27,468)
	\$ 1,316,769	\$ 300,234

Nature of operations (Note 1)

Commitments and contingencies (Note 6)

Subsequent events (Notes 8 and 9)

Refer to the accompanying notes to the consolidated financial statements.

Approved by the Directors:

/s/ *Bradford Cooke*

Director

/s/ *Philip Yee*

Director

CAZA GOLD CORP.

(Date of incorporation: November 15, 2007)

Consolidated Statements of Operations

(Unaudited – Prepared by Management)

	Three Months Ended June 30, 2008	Six Months Ended June 30, 2008
Expenses:		
Corporate development	\$ 4,405	\$ 19,000
Employee remuneration (Note 10)	14,537	15,419
Foreign exchange gain	(1,128)	(754)
Legal	30,840	78,765
Office and sundry	5,838	11,517
Loss before the undernoted	(54,492)	(123,947)
Interest expense	(6,957)	(13,761)
Interest and other income	500	500
Loss for the period	\$ (60,949)	\$ (137,208)
Basic and diluted loss per share	\$ (0.08)	\$ (0.35)
Weighted average number of shares outstanding	788,386	394,243

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(Date of incorporation: November 15, 2007)

Consolidated Statements of Shareholders' Equity

(Unaudited – Prepared by Management)

	Six months ended		From November 15, 2007 to	
	June 30, 2008		December 31, 2007	
	Shares	Amount	Shares	Amount
Common shares:				
Balance, beginning of period	100	\$ 1	100	\$ 1
Issued:				
Plan of arrangement (Note 5)	14,346,800	301,283	-	-
Balance, end of period	14,346,900	301,284	100	1
Common shares subscribed:				
Balance, beginning of period		-		-
Private placement (Note 9)		550,000		-
Balance, end of period		550,000		-
Deficit:				
Balance, beginning of period		(27,469)		-
Plan of arrangement (Note 5)		36,575		-
Loss for the period		(137,208)		(27,469)
Balance, end of period		(128,102)		(27,469)
Total Shareholders' Equity		\$ 723,182		\$ (27,468)

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(Date of incorporation: November 15, 2007)

Consolidated Statements of Cash Flows

(Unaudited – Prepared by Management)

	Three Months Ended June 30, 2008	Six Months Ended June 30, 2008
Cash provided from (used for):		
Operations:		
Loss for the period	\$ (60,949)	\$ (137,208)
Items not involving cash:		
Accrued interest on notes payable	6,958	13,761
	(53,991)	(123,447)
Changes in non-cash working capital items:		
Receivables and prepaids	(2,033)	(3,073)
Accounts payable and accrued liabilities	(8,317)	(2,331)
	(64,341)	(128,851)
Financing:		
Subscription for common shares	550,000	550,000
Investing:		
Acquisition of subsidiary (Note 5)	(284,337)	(284,337)
Increase in cash and cash equivalents	201,322	136,812
Cash and cash equivalents, beginning of the period	235,300	299,810
Cash and cash equivalents, end of period	\$ 436,622	\$ 436,622
Non-cash financing and investing activities:		
Shares issued pursuant to the plan of arrangement (Note 5)	\$ 301,283	\$ 301,283
Deficit adjustment for acquisition	\$ 36,575	\$ 36,575

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(Date of incorporation: November 15, 2007)

Consolidated Statements of Mineral Property Expenditures

(Unaudited – Prepared by Management)

	Los Arrastres	Santiago	Santiago Fraction	Other	Total
Acquisition Costs:					
Balance, beginning of period	\$ -	\$ -	\$ -	\$ -	\$ -
Plan of arrangement (Note 5)	169,379	127,659	7,603	15,506	320,147
Balance, ending of period	169,379	127,659	7,603	15,506	320,147
Deferred Exploration Expenditures:					
Balance, beginning of period	-	-	-	-	-
Plan of arrangement (Note 5)	389,840	50,754	-	-	440,594
Balance, ending of period	389,840	50,754	-	-	440,594
Mineral properties, ending of period	\$ 559,219	\$ 178,413	\$ 7,603	\$ 15,506	\$ 760,741

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(Date of incorporation: November 15, 2007)

Notes to the Consolidated Financial Statements

Six Months ended June 30, 2008

(Unaudited – Prepared by Management)

1. Nature of Operations

Caza Gold Corp. (the “Company”) was incorporated on November 15, 2007 under the laws of British Columbia. The Company was previously a wholly-owned subsidiary of Canarc Resource Corp. (“Canarc”) until the Plan of Arrangement (the “Arrangement”) between the Company and Canarc which became effective as of June 25, 2008. Note 5 provides further details of the Arrangement.

The Company is in the mineral exploration business and has not yet determined whether its mineral properties contain reserves that are economically recoverable. The recoverability of amounts capitalized for mineral properties is dependent upon the ability of the Company to arrange appropriate financing as needed, the discovery of economically recoverable reserves in its mineral properties, the development of its properties, confirmation of the Company’s interest in the underlying properties (Note 6), the receipt of necessary permitting and upon future profitable production or proceeds from the disposition thereof.

The Company has incurred significant operating losses and has an accumulated deficit of \$128,102 at June 30, 2008. Furthermore, the Company has working capital deficiency of \$40,716 as at June 30, 2008, which is not sufficient to achieve the Company’s planned business objectives. These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent on the continued financial support from its shareholders and other related parties, the ability of the Company to raise equity financing, and the attainment of profitable operations, external financings and further share issuances to meet the Company’s liabilities as they become payable. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

(a) Basis of presentation:

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Minera Canarc de Mexico S.A. de C.V.

All significant intercompany transactions and balances have been eliminated.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash and short-term liquid investments having terms to maturity when acquired of three months or less. Short-term investments having terms to maturity when acquired of greater than three months and less than one year are included in marketable securities or other investments as appropriate.

CAZA GOLD CORP.

(Date of incorporation: November 15, 2007)

Notes to the Consolidated Financial Statements

Six Months ended June 30, 2008

(Unaudited – Prepared by Management)

2. Significant Accounting Policies (continued)

(c) Mineral properties:

All costs related to investments in mineral properties are capitalized on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. The costs related to a property from which there is production, together with the costs of mining equipment, will be amortized using the unit-of-production method. When there is little prospect of further work on a property being carried out by the Company or its partners or when a property is abandoned or when the capitalized costs are not considered to be economically recoverable, the related property costs are written down to the amount recoverable.

The amounts shown for mineral properties represent costs incurred to date, less recoveries and write-downs, and are not intended to reflect present or future values.

(d) Equipment:

Equipment is recorded at cost and, for that equipment subject to amortization, the Company uses the declining balance method at rates varying from 10% to 30% annually. Amortization on equipment used directly on exploration projects is included in mineral properties.

(e) Asset retirement obligations:

Any statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, are recognized if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. The Company assessed its mineral properties, and based upon such assessments, there were no known material asset retirement obligations as at June 30, 2008.

(f) Earnings per share:

Basic earnings per share is computed by dividing the earnings available to common shareholders by the weighted average number of shares outstanding during the period. For all periods presented, earnings available to common shareholders equals the reported earnings. The Company uses the treasury stock method for calculating diluted earnings per share. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted earnings per share presented is the same as basic earnings per share as the effect of outstanding options and warrants in the earnings per share calculation would be anti-dilutive.

CAZA GOLD CORP.

(Date of incorporation: November 15, 2007)

Notes to the Consolidated Financial Statements

Six Months ended June 30, 2008

(Unaudited – Prepared by Management)

2. Significant Accounting Policies (continued)

(g) Use of estimates:

The preparation of financial statements requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to fair values and allocations in business combinations, impairment of mineral properties, determination of reclamation obligations, and valuation allowances for future income tax assets. Actual results could differ from those estimates.

(h) Fair value of financial instruments:

The fair values of the Company's cash and cash equivalents, receivables, accounts payable and accrued liabilities, and notes payable approximate their carrying values due to the short terms to maturity.

(i) Variable interest entities:

Consolidation principles apply to entities that meet the definition of a variable interest entity ("VIE"). An enterprise holding other than a voting interest in a VIE could, subject to certain conditions, be required to consolidate the VIE if it is considered its primary beneficiary whereby it would absorb the majority of the VIE's expected losses, receive the majority of its expected residual returns, or both. The Company does not have any VIE's.

(j) Financial instruments:

(i) CICA Handbook Section 3855 – Financial Instruments – Recognition and Measurement:

The standard addresses the classification, recognition and measurement of financial instruments in the financial statements. This standard requires all financial instruments within its scope, including derivatives, to be included in the Company's balance sheet and measured either at fair value on initial recognition or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are recognized in the statements of operations.

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the item. As such, any outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Any changes to the fair values of assets and liabilities prior to the adoption date are recognized by adjusting accumulated other comprehensive income.

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Notes to the Consolidated Financial Statements

Six Months ended June 30, 2008

(Unaudited – Prepared by Management)

2. Significant Accounting Policies (continued)

(j) Financial instruments: (continued)

(i) CICA Handbook Section 3855 – Financial Instruments – Recognition and Measurement: (continued)

All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net earnings;
- Available-for-sale financial assets are measured at fair value based on quoted market prices. Investment in equity instruments classified as available-for-sale that does not have a quoted market price in an active market is measured at cost. Revaluation gains and losses are included in other comprehensive income until the asset is removed from the balance sheet either by disposition or permanent impairment at which time the realized gain or loss is transferred to net earnings;
- Held for trading financial instruments are measured at fair value. All gains and losses are included in net earnings in the period in which they arise; and
- All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses are included in net earnings in the period in which they arise.

(ii) CICA Handbook Section 3865 – Hedging:

This new standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not have any hedges.

(iii) CICA Handbook Section 1530 - Comprehensive Income:

Comprehensive income is the change in shareholders' equity during a period from transactions and other events from non-owner sources. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other "comprehensive income" until it is considered appropriate to recognize into net earnings. This standard requires the presentation of comprehensive income, and its components in a separate financial statement that is displayed with the same prominence as the other financial statements.

CAZA GOLD CORP.

(Date of incorporation: November 15, 2007)

Notes to the Consolidated Financial Statements

Six Months ended June 30, 2008

(Unaudited – Prepared by Management)

2. Significant Accounting Policies (continued)

(k) New Accounting Pronouncements:

(i) Capital disclosures:

In February 2007, the CICA issued Handbook Section 1535, “Capital Disclosures”, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity’s objectives, policies and procedures for managing capital. The new section is effective for years beginning on or after October 1, 2007. Note 3 provides further details.

(ii) Financial instruments:

In February 2007, the CICA issued two new standards, Section 3862 “Financial Instruments Disclosures” and Section 3863 “Financial Instruments Presentation”. These sections replace the existing Section 3861, “Financial Instruments Disclosure and Presentation”. Section 3862 provides users with information to evaluate the significance of the financial instruments of the entity’s financial position and performances, nature and extent of risks arising from financial instruments, and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interests, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The new sections are effective for years beginning on or after October 1, 2007. Note 4 provides further details.

(iii) Goodwill and intangible assets:

In February 2008, the CICA issued Handbook Section 3064 “Goodwill and intangible assets”, replacing Section 3062, “Goodwill and other intangible assets” and Section 3450, “Research and development costs”. This section establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new section is effective for years beginning on or after October 1, 2008. The Company is in the process of assessing the impact of this new section on its consolidated financial statements.

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2. Significant Accounting Policies (continued)

(k) New accounting pronouncements: (continued)

(iv) International Financial Reporting Standards (“IFRS”):

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

(v) Going concern:

In June 2007, the CICA amended Handbook Section 1400, “General Standards of Financial Statement Presentation”, which requires management to make an assessment of the Company’s ability to continue as a going-concern. When financial statements are not prepared on a going-concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the Company is not considered a going-concern. The new section is effective for years beginning on or after January 1, 2008. The Company does not expect the adoption of the standards to result in any material changes to the Company’s financial statements.

3. Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company considers the components of shareholders' equity, as well as its cash and equivalents and notes payable as capital. The Company manages its capital structure and makes adjustments to them in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue equity, issue debt, acquire or dispose assets, and / or adjust the amount of investments. The Company is not subject to externally-imposed capital requirements.

There were no changes to the Company's approach to capital management during the six months ended June 30, 2008.

CAZA GOLD CORP.

(Date of incorporation: November 15, 2007)

Notes to the Consolidated Financial Statements

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(Unaudited – Prepared by Management)

4. Management of Financial Risk

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk, and market risk which includes commodity price risk, foreign exchange risk and interest rate risk. The types of risk exposure and the way in which such exposure is managed are provided as follows:

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions. The Company does not have financial assets that are invested in asset backed commercial paper.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account the Company's holdings of cash and cash equivalents. The Company believes that these sources will be sufficient to cover the likely short term cash requirements and commitments.

Accounts payable and accrued liabilities are due within the current operating period.

(c) Market risk:

The significant market risk exposures to which the Company is exposed are commodity price risk, foreign exchange risk, and interest rate risk.

(i) Commodity price risk:

The value of the Company's mineral properties is dependent on the price of gold and the outlook for this precious mineral. The Company does not have any hedging or other commodity based risks respecting its operations.

Market prices for this precious metal historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk.

CAZA GOLD CORP.

(Date of incorporation: November 15, 2007)

Notes to the Consolidated Financial Statements

Six Months ended June 30, 2008

(Unaudited – Prepared by Management)

4. Management of Financial Risk (continued)

(c) Market risk: (continued)

(ii) Foreign exchange risk:

The Company's mineral properties which are located in Mexico would subject it to foreign currency fluctuations including currency transaction risk and currency translation risk.

	Held in Mexican Pesos (stated in Canadian dollars)
Financial assets	\$ 170,655
Financial liabilities	<u>(254,455)</u>
Net financial liabilities	<u>\$ (83,800)</u>

Based upon the above net exposure as at June 30, 2008 and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar relative to the Mexican pesos could result in a decrease/increase of \$8,380 in the Company's net earnings.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(iii) Interest rate risk:

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents.

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(Date of incorporation: November 15, 2007)

Notes to the Consolidated Financial Statements

Six Months ended June 30, 2008

(Unaudited – Prepared by Management)

5. Plan of Arrangement

On June 25, 2008, the Company closed the Arrangement with Canarc whereby approximately 83% of Canarc's interest in the Company was distributed to the shareholders of Canarc. Under the Arrangement, Canarc transferred all its interest in its wholly-owned Mexican subsidiary, Minera Canarc de Mexico S.A. de C.V., which holds all the rights to the Mexican gold exploration properties (Note 6) to the Company in return for 14,346,800 shares of the Company, of which Canarc distributed 11,950,750 shares of the Company by way of a dividend in kind to Canarc's shareholders on the basis of one share of the Company for every six shares of Canarc held by Canarc's shareholders as of the dividend record date. Canarc continues to hold 2,396,150 shares of the Company representing approximately a 17% interest in the Company. The property rights which were transferred from Canarc to the Company include Los Arrastres, Santiago and Santiago Fraction properties.

The following table sets forth a preliminary allocation of the purchase price to assets and liabilities acquired, based on preliminary estimates of fair value. Final valuation estimates of mineral properties, contingencies and future income tax assets/liabilities, if any, are not yet complete due to inherent complexity associated with the valuations. The purchase price allocation is preliminary and subject to adjustment over the course of 2008 on completion of the valuation process and analysis of resulting tax effects; such adjustments could be material to these financial statements.

The preliminary fair value of assets and liabilities acquired and the consideration paid is as follows:

Fair market value of assets acquired:

	<u>Minera Canarc de Mexico S.A. de C.V.</u>
Assets:	
Cash	\$ 170,655
Receivables and prepaids	112,752
Equipment	3,157
Mineral properties	760,741
Liabilities:	
Accounts payables and other accrued liabilities	(254,455)
Total	<u>\$ 792,850</u>

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Notes to the Consolidated Financial Statements

Six Months ended June 30, 2008

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5. Plan of Arrangement (continued)

Consideration given:

	<u>Minera Canarc de Mexico S.A. de C.V.</u>	
Share consideration	\$	301,283
Advances on acquisition		454,992
Other consideration		36,575
		<hr/>
Total	\$	<u>792,850</u>

6. Mineral Properties

(a) Los Arrastres:

In February 2007, Canarc entered into an option agreement to acquire a 100% interest in the Los Arrastres gold/silver property by making US\$2.5 million in cash payments and spending US\$2 million on exploration over a 3 year period. The vendor will retain a 2% NSR and Canarc had the right to reduce the NSR to 1% by paying US\$1 million at any time. Canarc made an initial payment of US\$50,000 upon the signing of the option agreement and a further payment of US\$75,000 in August 2007. Then in February 2008, Canarc made a cash payment of US\$25,000. Pursuant to the Plan of Arrangement which closed in June 2008, the property was transferred to the Company (Note 5).

(b) Santiago:

In May 2007, Canarc entered into an option agreement to acquire a 100% interest in the Santiago gold property by making US\$2 million in cash payments over a 5 year period and spending US\$200,000 on exploration over a 2 year period. The vendor will retain a 2% NSR. Canarc made an initial payment of US\$30,000 was made upon the signing of the option agreement and a further payment of US\$30,000 in November 2007. Then in May 2008, Canarc made a cash payment of US\$60,000. Pursuant to the Plan of Arrangement which closed in June 2008, the property was transferred to the Company (Note 5).

(c) Santiago Fraction:

In September 2007, Canarc entered into an option and joint venture agreement to acquire up to a 75% interest in the Santiago Fraction property by issuing 15,000 common shares, paying US\$25,000 in cash after 1 year, and spending up to US\$1 million in exploration over a 5-year period. Canarc issued 15,000 common shares at a deemed value of \$0.45 per share in 2007. Pursuant to the Plan of Arrangement which closed in June 2008, the property was transferred to the Company (Note 5).

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6. Mineral Properties (continued)

(d) Expenditure options:

As at June 30, 2008, to maintain the Company's interest and to fully exercise the options under various property agreements covering its properties, the Company must incur exploration expenditures on the properties and/or make payments in the form of cash and/or shares to the optionors as follows:

	Option/Advance Royalty Payments (U.S. dollars)	Expenditure Commitments (US dollars)
Los Arrastres (Note 6(a))		
Option payments and expenditure commitments	\$ 2,350,000	\$ 1,631,304
Net profit interest reduction or buydown	1,000,000	-
Santiago (Note 6(b))	1,940,000	152,639
Santiago Fraction (Note 6(c))	25,000	1,000,000
	<u>\$ 5,315,000</u>	<u>\$ 2,783,943</u>

These amounts may be reduced in the future as the Company determines which properties to continue to explore and which to abandon.

(e) Mineral properties contingencies:

The Company has diligently investigated rights of ownership of all of its mineral properties/concessions and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, all properties/concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

7. Equipment

	June 30, 2008		
	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 3,607	\$ 450	\$ 3,157

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8. Notes Payable

In December 2007, the Company received proceeds of \$300,000 in demand loans of which \$120,000 were from directors and officers of the Company. The loans were repayable on demand and bore an interest rate of 9% per annum. As at June 30, 2008, interest of \$14,723 was accrued.

On July 31, 2008, the Company settled the principal of \$280,000 in demand loans by the issuance of 2.8 million units at a deemed price of \$0.10 per unit. Each unit was comprised of one common share and one-half of a whole share purchase warrant; each warrant is exercisable to acquire one common share at \$0.12 until January 31, 2010. The remaining principal of \$20,000 was paid in cash, and all accrued interest of \$17,129 as of July 31, 2008 was paid in cash.

9. Share Capital

Authorized and issued:

The authorized share capital of the Company is comprised of unlimited common shares without par value.

Common shares issued for consideration other than cash are recorded at the quoted market value of the shares as of the agreement date, except in the case of common shares issued on exercise of stock options and share appreciation rights under the Company's stock option plan, which include the fair value of related options or rights previously allocated to contributed surplus.

The Company has proceeded with a private placement for up to 4.6 million units at a price of \$0.25 per unit. Each unit is comprised of one common share and one-half of a whole share purchase warrant; each warrant is exercisable to acquire one common share at \$0.35 and has a term of 18 months.

10. Related Party Transactions

Related party transactions during the six months ended June 30, 2008 include:

- \$11,027 in salaries paid to the directors of the Company; and
- \$54,052 in legal fees to a law firm in which a senior officer of the Company is a partner.

Principal of \$110,000 in demand loans owed to the directors of the Company were settled by the issuance of units (Note 8).

Details of the Arrangement between the Company and Canarc are provided in Note 5.

11. Segment Disclosures

The Company has one operating segment, being mineral exploration, and substantially all assets of the Company are located in Canada except for mineral properties as disclosed in Note 6.

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DIRECTORS

Bradford Cooke
Philip Yee

OFFICERS

Bradford Cooke ~ Chairman and Chief Executive Officer
James Moors ~ Vice-President, Exploration
Philip Yee ~ Chief Financial Officer
Stewart Lockwood ~ Secretary

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CAZA GOLD CORP.

(the “Company”)

Management’s Discussion and Analysis For the Six Months Ended June 30, 2008

CAUTION – FORWARD LOOKING STATEMENTS

Certain statements contained herein regarding the Company and its operations constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995. All statements that are not historical facts, including without limitation statements regarding future estimates, plans, objectives, assumptions or expectations of future performance, are “forward-looking statements”. We caution you that such “forward looking statements” involve known and unknown risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements. Such risks and uncertainties include fluctuations in precious metal prices, unpredictable results of exploration activities, uncertainties inherent in the estimation of mineral reserves and resources, fluctuations in the costs of goods and services, problems associated with exploration and mining operations, changes in legal, social or political conditions in the jurisdictions where the Company operates, lack of appropriate funding and other risk factors, as discussed in the Company’s filings with Canadian securities regulatory agencies. The Company expressly disclaims any obligation to update any forward-looking statements.

1.0 Preliminary Information

The following Management’s Discussion and Analysis (“MD&A”) of Caza Gold Corp. (the “Company”) should be read in conjunction with the accompanying unaudited consolidated financial statements for the six months ended June 30, 2008, which are available at the SEDAR website at www.sedar.com.

All financial information in this MD&A is prepared in accordance with Canadian generally accepted accounting principles (“CAD GAAP”), and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

All information contained in the MD&A is as of August 29, 2008 unless otherwise indicated.

1.1 Background

The Company was incorporated on November 15, 2007 under the laws of British Columbia and is engaged in the acquisition, exploration, development and exploitation of precious metal properties in Mexico. The Company currently owns or holds, directly or indirectly, interests in precious metal properties, known as Los Arrastres, Santiago and Santiago Fraction, in Mexico, which were acquired pursuant to the Plan of Arrangement (the “Arrangement”) between the Company and its previous parent company, Canarc Resource Corp. (“Canarc”). The Plan of Arrangement closed on June 25, 2008.

Plan of Arrangement:

On June 25, 2008, the Company closed the Arrangement with Canarc whereby approximately 83% of Canarc’s interest in the Company was distributed to the shareholders of Canarc. Under the Arrangement, Canarc transferred all its interest in its wholly-owned Mexican subsidiary, Minera Canarc de Mexico S.A. de C.V., which holds all the rights to the Mexican gold exploration properties to the Company in return for 14,346,800 shares of the Company, of which Canarc distributed 11,950,750 shares of the Company by way of a dividend in kind to Canarc’s shareholders on the basis of one share of the Company for every six shares of Canarc held by Canarc’s shareholders as of the dividend record date. Canarc continues to hold 2,396,150 shares of the Company representing approximately a 17% interest in the Company.

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The following table sets forth a preliminary allocation of the purchase price to assets and liabilities acquired, based on preliminary estimates of fair value. Final valuation estimates of mineral properties, contingencies and future income tax assets/liabilities, if any, are not yet complete due to inherent complexity associated with the valuations. The purchase price allocation is preliminary and subject to adjustment over the course of 2008 on completion of the valuation process and analysis of resulting tax effects; such adjustments could be material to these financial statements.

The preliminary fair value of assets and liabilities acquired and the consideration paid is as follows:

Fair market value of assets acquired:

	<u>Minera Canarc de Mexico S.A. de C.V.</u>
Assets:	
Cash	\$ 170,655
Receivables and prepaids	112,752
Equipment	3,157
Mineral properties	760,741
Liabilities:	
Accounts payables and other accrued liabilities	(254,455)
Total	<u>\$ 792,850</u>

Consideration given:

	<u>Minera Canarc de Mexico S.A. de C.V.</u>
Share consideration	\$ 301,283
Advances on acquisition	454,992
Other consideration	36,575
Total	<u>\$ 792,850</u>

1.2 Overall Performance

As the Company is focused on its exploration activities, there is no production, sales or inventory in the conventional sense. The recoverability of costs capitalized to mineral properties and the Company's future financial success will be dependent upon the extent to which it can discover mineralization and determine the economic viability of developing such properties. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine with any certainty at this time. Many of the key factors are outside of the Company's control. The sales value of any mineralization discovered and developed by the Company is largely dependent upon factors beyond the Company's control such as the market prices of the metals produced. As the carrying value and amortization of mineral properties and capital assets are, in part, related to the Company's mineral reserves and resources, if any, the estimation of such reserves and resources is significant to the Company's position and results of operations.

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Gold prices continued to show strength as the cumulative annual average increased from US\$445 in fiscal 2005 to US\$603 in fiscal 2006 and US\$695 in 2007, closing at US\$838 on August 28, 2008. Gold prices achieved new highs in each of the past several years. In late 2005, prices reached a high of US\$537, then US\$725 in May 2006 and US\$841 in November 2007 before reaching a high of US\$1,011 in March 2008.

Los Arrastres property

In February 2007, Canarc entered into an option agreement to acquire a 100% interest in the Los Arrastres gold/silver property by making US\$2.5 million in cash payments and spending US\$2 million on exploration over a 3 year period. The vendor will retain a 2% NSR and Canarc had the right to reduce the NSR to 1% by paying US\$1 million at any time. Canarc made an initial payment of US\$50,000 upon the signing of the option agreement and a further payment of US\$75,000 in August 2007. Then in February 2008, Canarc made a cash payment of US\$25,000. Pursuant to the Arrangement which closed in June 2008, the property was transferred to the Company.

Santiago property

In May 2007, Canarc entered into an option agreement to acquire a 100% interest in the Santiago gold property by making US\$2 million in cash payments over a 5 year period and spending US\$200,000 on exploration over a 2 year period. The vendor will retain a 2% NSR. Canarc made an initial payment of US\$30,000 upon the signing of the option agreement and a further payment of US\$30,000 in November 2007. Then in May 2008, Canarc made a cash payment of US\$60,000. Pursuant to the Arrangement which closed in June 2008, the property was transferred to the Company.

Santiago Fraction property

In September 2007, Canarc entered into an option and joint venture agreement to acquire up to a 75% interest in the Santiago Fraction property by issuing 15,000 common shares, paying US\$25,000 in cash after 1 year, and spending up to US\$1 million in exploration over a 5-year period. Canarc issued 15,000 common shares at a deemed value of \$0.45 per share in 2007. Pursuant to the Arrangement which closed in June 2008, the property was transferred to the Company.

1.3 Selected Annual Information

All financial information is prepared in accordance with CAD GAAP, and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

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	<u>From November 15, 2007 to December 31, 2007</u>	
Total revenues	\$	-
Income (loss) before discontinued operations and extraordinary items:		
(i) Total	\$	(27,469)
(ii) Basic per share	\$	(274.69)
(iii) Fully diluted per share	\$	(274.69)
Net income (loss):		
(i) Total	\$	(27,469)
(ii) Basic per share	\$	(274.69)
(iii) Fully diluted per share	\$	(274.69)
Total assets	\$	300,234
Total long-term liabilities	\$	-
Dividends per share	\$	-

1.4 Results of Operations

Second Quarter of Fiscal 2008 – Six months ended June 30, 2008

The Company realized a net loss of \$137,208 for the six months ended June 30, 2008. Expenses of \$78,765 which were incurred for legal services for the Arrangement contributed significantly to the net loss for the period. Such expenses were shared between the Company and Canarc. Employee remuneration was higher in the second quarter as the Company increased its activities related to the acquisition of the Mexican properties from the Arrangement, and developing and implementing exploration programs for these properties. Corporate development reflects active due diligence and property evaluations in Mexico for acquisitions and to identify properties of merit for possible acquisitions. Property investigation fell in the second quarter relative to the first quarter of fiscal 2008 reflecting on the Company's earlier continual efforts in identifying properties of merit in Mexico which changed to an exploration focus as the Arrangement proceeded to close. Interest expense was attributable to the outstanding notes payable which bore an interest rate of 9% per annum in which \$280,000 in notes payable were settled by the issuance of 2.8 million units at \$0.10 per unit and the balance including all accrued interest were settled by cash.

The Company has no sources of operating revenues.

As at June 30, 2008, the Company has mineral properties which are comprised of the following:

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	Los Arrastres	Santiago	Santiago Fraction	Other	Total
Acquisition Costs:					
Balance, beginning of period	\$ -	\$ -	\$ -	\$ -	\$ -
Plan of arrangement	169,379	127,659	7,603	15,506	320,147
Balance, ending of period	169,379	127,659	7,603	15,506	320,147
Deferred Exploration Expenditures:					
Balance, beginning of period	-	-	-	-	-
Plan of arrangement	389,840	50,754	-	-	440,594
Balance, ending of period	389,840	50,754	-	-	440,594
Mineral properties, ending of period	\$ 559,219	\$ 178,413	\$ 7,603	\$ 15,506	\$ 760,741

At June 30, 2008, to maintain its interest and to fully exercise the options under various property agreements covering the properties located in Mexico, the Company must incur exploration expenditures on the properties and/or make payments in the form of cash to the optionors as follows:

	Option/Advance Royalty Payments (U.S. dollars)	Expenditure Commitments (US dollars)
Los Arrastres		
Option payments and expenditure commitments	\$ 2,350,000	\$ 1,631,304
Net profit interest reduction or buydown	1,000,000	-
Santiago	1,940,000	152,639
Santiago Fraction	25,000	1,000,000
	\$ 5,315,000	\$ 2,783,943

These amounts may be reduced in the future as the Company determines which properties to continue to explore and which to abandon.

1.5 Summary of Quarterly Results

All financial information is prepared in accordance with CAD GAAP, and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

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The following table provides selected financial information of the Company for each of the last three quarters ended at the most recently completed quarter, June 30, 2008:

	2008		From Nov 15, 2007 to Dec 31, 2007
	June 30	Mar 31	
Total revenues	\$ -	\$ -	\$ -
Income (loss) before discontinued discontinued operations and extraordinary items:			
(i) Total	\$ (60,949)	\$ (76,259)	\$ (27,469)
(ii) Basic per share	\$ (0.08)	\$ (762.59)	\$ (274.69)
(iii) Fully diluted per share	\$ (0.08)	\$ (762.59)	\$ (274.69)
Net income (loss):			
(i) Total	\$ (60,949)	\$ (76,259)	\$ (27,469)
(ii) Basic per share	\$ (0.08)	\$ (762.59)	\$ (274.69)
(iii) Fully diluted per share	\$ (0.08)	\$ (762.59)	\$ (274.69)
Total assets	\$ 1,316,769	\$ 235,302	\$ 300,234
Total long-term liabilities	\$ -	\$ -	\$ -
Dividends per share	\$ -	\$ -	\$ -

At incorporation on November 15, 2007, the Company issued 100 shares at \$0.01 per share to Canarc. Pursuant to the Arrangement which closed on June 25, 2008, the Company issued 14,346,800 shares to Canarc to acquire the Mexican properties. The effect of the equity distribution is reflective in the significant change in the quarterly loss per share in the second quarter of fiscal 2008.

1.6 Liquidity and Capital Resources

The Company is in the development stage and has not yet determined whether its mineral properties contain reserves that are economically recoverable. The recoverability of amounts capitalized for mineral properties is entirely dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production. The Company knows of no trends, demands, commitments, events or uncertainties that may result in the Company's liquidity either materially increasing or decreasing at the present time or in the foreseeable future. Material increases or decreases in the Company's liquidity are substantially determined by the success or failure of the Company's exploration programs and overall market conditions for smaller mineral exploration companies. Since its incorporation in 2007, the Company has endeavored to secure mineral properties that in due course could be brought into production to provide the Company with cash flow which would be used to undertake work programs on other projects. To that end, the Company has expended its funds on mineral properties that it believes have the potential to achieve cash flow within a reasonable time frame. As a result, the Company has incurred losses during each of its fiscal periods since incorporation. This result is typical of smaller exploration companies and will continue unless positive cash flow is achieved.

The following table contains selected financial information of the Company's liquidity:

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	June 30, 2008	December 31, 2007
Cash and cash equivalents	\$ 436,622	\$ 299,810
Working capital (deficiency)	\$ (40,716)	\$ (27,468)

Ongoing operating expenses continue to reduce the Company's cash resources and working capital.

In December 2007, the Company received proceeds of \$300,000 in demand loans of which \$120,000 were from directors and officers of the Company. The loans were repayable on demand and bore an interest rate of 9% per annum. As at June 30, 2008, interest of \$14,723 was accrued. On July 31, 2008, the Company settled the principal of \$280,000 in demand loans by the issuance of 2.8 million units at a deemed price of \$0.10 per unit. Each unit was comprised of one common share and one-half of a whole share purchase warrant; each warrant is exercisable to acquire one common share at \$0.12 until January 31, 2010. The remaining principal of \$20,000 was paid in cash, and all accrued interest of \$17,129 as of July 31, 2008 was paid in cash.

The Company has proceeded to raise equity financing of up to 4.6 million units at a price of \$0.25 per unit. Each unit is comprised of one common share and one-half of a whole share purchase warrant; each warrant is exercisable to acquire one common share at \$0.35 and has a term of 18 months.

The Company has a number of option agreements for mineral properties that involve payments in the form of cash and/or shares of the Company as well as minimum exploration expenditure requirements. Under Item 1.4, further details of contractual obligations are provided as at June 30, 2008. The Company will continue to rely upon equity financing as its principal source of financing its projects.

1.7 Capital Resources

Item 1.6 provides further details.

1.8 Off-Balance Sheet Arrangements

There are no known off-balance sheet arrangements which have not been disclosed.

1.9 Transactions with Related Parties

Related party transactions during the six months ended June 30, 2008 include:

- \$11,027 in salaries paid to the directors of the Company; and
- \$54,052 in legal fees to a law firm in which a senior officer of the Company is a partner.

Principal of \$110,000 in demand loans owed to the directors of the Company were settled by the issuance of units. Item 1.6 provides further details.

Details of the Arrangement between the Company and Canarc are provided in Item 1.1.

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1.10 Second Quarter

Items 1.4, 1.5 and 1.6 provide further details for the second quarter of fiscal 2008.

1.11 Proposed Transactions

There are no proposed asset or business acquisitions or dispositions, other than those in the ordinary course and other than those already disclosed in this MD&A, before the board of directors for consideration.

1.12 Critical Accounting Estimates

The preparation of financial statements requires the Company to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates relate to fair values and allocations in business combinations, mineral properties, determination of reclamation obligations, fair values of financial instruments, and valuation allowances for future income tax assets. Actual results could differ from those estimates.

Acquisition costs of mineral properties and exploration and development expenditures incurred thereto are capitalized and deferred. The costs related to a property from which there is production will be amortized using the unit-of-production method. Capitalized costs are written down to their estimated recoverable amount if the property is subsequently determined to be uneconomic. The amounts shown for mineral properties represent costs incurred to date, less recoveries and write-downs, and do not reflect present or future values.

1.13 Changes in Accounting Policies Including Initial Adoption

New accounting pronouncements are as follows:

(i) Capital disclosures:

In February 2007, the CICA issued Handbook Section 1535, "Capital Disclosures", which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and procedures for managing capital. The new section is effective for years beginning on or after October 1, 2007.

(ii) Financial instruments:

In February 2007, the CICA issued two new standards, Section 3862 "Financial Instruments Disclosures" and Section 3863 "Financial Instruments Presentation". These sections replace the existing Section 3861, "Financial Instruments Disclosure and Presentation". Section 3862 provides users with information to evaluate the significance of the financial instruments of the entity's financial position and performances, nature and extent of risks arising from financial instruments, and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interests, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The new sections are effective for years beginning on or after October 1, 2007.

(iii) Goodwill and intangible assets:

In February 2008, the CICA issued Handbook Section 3064 "Goodwill and intangible assets", replacing Section 3062, "Goodwill and other intangible assets" and Section 3450, "Research and development costs". This section establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are

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unchanged from the standards included in the previous Section 3062. The new section is effective for years beginning on or after October 1, 2008. The Company is in the process of assessing the impact of this new section on its consolidated financial statements.

(iv) International Financial Reporting Standards ("IFRS"):

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

(v) Going concern:

In June 2007, the CICA amended Handbook Section 1400, "General Standards of Financial Statement Presentation", which requires management to make an assessment of the Company's ability to continue as a going-concern. When financial statements are not prepared on a going-concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the Company is not considered a going-concern. The new section is effective for years beginning on or after January 1, 2008. The Company does not expect the adoption of the standards to result in any material changes to the Company's financial statements.

1.14 Financial Instruments and Other Instruments

The Company's financial instruments approximate their carrying values.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Company's credit risk is primarily attributable to its liquid financial assets including cash and equivalents. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions. The Company does not have financial assets that are invested in asset backed commercial paper. In respect of financial assets, the Company's policy is to invest cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents.

Items 1.13 provide further details of financial instruments.

1.15 Other MD&A Requirements

1.15.1 Other MD&A Requirements

Additional information relating to the Company are as follows:

- (a) may be found on SEDAR at www.sedar.com; and
- (b) is also provided in the Company's unaudited consolidated financial statements for the six months ended June 30, 2008.

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1.15.2 Outstanding Share Data

The Company's authorized share capital consists of unlimited common shares without par value.

Changes in the Company's share capital for the six months ended June 30, 2008 are as follows:

	Number of Shares	Amount
Balance at December 31, 2007	100	\$ 1
Issued:		
Plan of arrangement	14,346,800	301,283
Balance at June 30, 2008	14,346,900	\$ 301,284

At August 29, 2008, there were 14,346,900 common shares issued and outstanding.

At June 30, 2008, the Company had no outstanding stock options or share purchase warrants.

At August 29, 2008, there were 1.4 million warrants outstanding with an exercise price of \$0.12 and an expiry date of January 31, 2010.

1.16 Outlook

Although it currently has sufficient capital to satisfy existing operating and administrative expenses in the short term, the Company will continue to depend upon equity capital to finance its existing projects. There are no assurances that capital requirements will be met by this means of financing as inherent risks are attached therein including commodity prices, financial market conditions, and general economic factors. The Company does not expect to realize any operating revenues from its properties in the foreseeable future.

1.17 Risk Factors

The following is a brief discussion of those distinctive or special characteristics of the Company's operations and industry that may have a material impact on, or constitute risk factors in respect of, the Company's future financial performance.

Exploration and Development Risks

There is no assurance given by the Company that its exploration and development programs and properties will result in the discovery, development or production of a commercially viable ore body.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of bodies of commercial ore. The economics of developing gold and other mineral properties are affected by many factors including capital and operating costs, variations of the grades and tonnages of ore mined, fluctuating mineral market prices, costs of mining and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Substantial expenditures are required to establish reserves through drilling and other work, to develop metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that funds required for development can be obtained

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on a timely basis. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, the global marketing conditions for precious and base metals, the proximity and capacity of milling and smelting facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for exploitation concessions. There can be no guarantee that such concessions will be granted.

Financing Risks

There is no assurance given by the Company that it will be able to secure the financing necessary to explore, develop and produce its mineral properties.

The Company does not presently have sufficient financial resources or operating cash-flow to undertake by itself all of its planned exploration and development programs. The development of the Company's properties may therefore depend on the Company's joint venture partners and on the Company's ability to obtain additional required financing. There is no assurance the Company will be successful in obtaining the required financing, the lack of which could result in the loss or substantial dilution of its interests (as existing or as proposed to be acquired) in its properties as disclosed herein. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise equity capital financings, the attainment of profitable operations, external financings, and further share issuance to satisfy working capital and operating needs.

Estimates of Mineral Deposits

There is no assurance given by the Company that any estimates of mineral deposits herein will not change.

No assurance can be given that any identified mineralized deposit will ever qualify as a commercially viable mineable ore body that can be legally and economically exploited. Estimates regarding mineralized deposits can also be affected by many factors such as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grades and tonnages of ore ultimately mined may differ from that indicated by drilling results and other work. There can be no assurance that gold recovered in small-scale laboratory tests will be duplicated in large-scale tests under on-site conditions. Material changes in mineralized tonnages, grades, dilution and stripping ratios or recovery rates may affect the economic viability of projects. The existence of mineralized deposits should not be interpreted as assurances of the future delineation of ore reserves or the profitability of future operations.

Mineral Prices

There is no assurance given by the Company that mineral prices will not change.

The mining industry is competitive and mineral prices fluctuate so that there is no assurance, even if commercial quantities of a mineral resource are discovered, that a profitable market will exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of precious and base metals fluctuate on a daily basis, have experienced volatile and significant price movements over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the U.S. dollar relative to other currencies), interest rates, central bank transactions, world supply for precious and base metals, international investments, monetary systems, and global or regional consumption patterns (such as the development of gold coin programs), speculative activities and increased production due to improved mining and production methods. The supply of and demand for gold are affected by various factors, including political events, economic conditions and production costs in major gold producing regions, and governmental policies with respect to gold holdings by a nation or its citizens. The exact effect of these factors cannot be accurately predicted, and the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments

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retaining their respective values. There is no assurance that the prices of gold and other precious and base metals will be such that the Company's properties can be mined at a profit.

Conflicts of Interest

There is no assurance given by the Company that its directors and officers will not have conflicts of interest from time to time.

The Company's directors and officers may serve as directors or officers of other public resource companies or have significant shareholdings in other public resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The interests of these companies may differ from time to time. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against any resolution involving any such conflict. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of the Province of British Columbia, Canada, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in any particular exploration or mining project at any given time, the directors will primarily consider the upside potential for the project to be accretive to shareholders, the degree of risk to which the Company may be exposed and its financial position at that time.

Uninsured Risks

There is no assurance given by the Company that it is adequately insured against all risks.

The Company may become subject to liability for cave-ins, pollution or other hazards against which it cannot insure or against which it has elected not to insure because of high premium costs or other reasons. The payment of such liabilities would reduce the funds available for exploration and mining activities.

Environmental and Other Regulatory Requirements

There is no assurance given by the Company that it has met all environmental or regulatory requirements.

The current or future operations of the Company, including exploration and development activities and commencement of production on its properties, require permits from various foreign, federal, state and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that approvals and permits required in order for the Company to commence production on its various properties will be obtained. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, are necessary prior to operation of the other properties in which the Company has interests and there can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have

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civil or criminal fines or penalties imposed for violations of applicable laws or regulations. New laws or regulations or amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation of current laws, regulations or permits, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Reclamation

There is a risk that monies allotted for land reclamation may not be sufficient to cover all risks, due to changes in the nature of the waste rock or tailings and/or revisions to government regulations. Therefore additional funds, or reclamation bonds or other forms of financial assurance may be required over the tenure of the project to cover potential risks. These additional costs may have material adverse impact on the financial condition and results of the Company.

Foreign Countries and Regulatory Requirements

Certain of the Company's properties are located in countries outside of Canada, and mineral exploration and mining activities may be affected in varying degrees by political stability and government regulations relating to the mining industry. Any changes in regulations or shifts in political attitudes may vary from country to country and are beyond the control of the Company and may adversely affect its business. Such changes have, in the past, included nationalization of foreign owned businesses and properties. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income and other taxes and duties, expropriation of property, environmental legislation and mine safety. These uncertainties may make it more difficult for the Company and its joint venture partners to obtain any required production financing for its mineral properties.

Currency Fluctuation and Foreign Exchange Controls

The Company maintains a portion of its funds in U.S. dollar denominated accounts. Certain of the Company's property and related contracts are denominated in U.S. dollars. The Company's operations in countries other than Canada are normally carried out in the currency of that country and make the Company subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. In addition future contracts may not be denominated in U.S. dollars and may expose the Company to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. In addition, the Company is or may become subject to foreign exchange restrictions which may severely limit or restrict its ability to repatriate capital or profits from its properties outside of Canada to Canada. Such restrictions have existed in the past in countries in which the Company holds property interests and future impositions of such restrictions could have a materially adverse effect on the Company's future profitability or ability to pay dividends.

Third Party Reliance

The Company's rights to acquire interests in certain mineral properties have been granted by third parties who themselves hold only an option to acquire such properties. As a result, the Company may have no direct contractual relationship with the underlying property holder.