CAZA GOLD CORP.

Consolidated Financial Statements

(stated in Canadian dollars)

Six Months ended June 30, 2010

(Unaudited – Prepared by Management)

SHAREHOLDER UPDATE

Review of the Second Quarter and Outlook for the Third Quarter of Fiscal 2010

Dr. Greg Myers, CEO and President of Caza Gold Corp., is pleased to provide the following review of the second quarter and the outlook for the third quarter of 2010.

Q2 Review of 2010

- Completed additional geological mapping and rock-chip sampling programs on both the Santiago and Balleza projects in Chihuahua, Mexico
- Continued to evaluate gold projects in Mexico and throughout Latin America for possible acquisition
- Board of Directors were re-elected for the ensuing year at the Annual General meeting and management was re-appointed
- Granted stock options to purchase an aggregate of 2,430,000 common shares at a price of $0.35 per share for a period expiring on the fifth anniversary of the date on which the shares of the Company are listed and called for trading on the TSX Venture Exchange. The stock options are subject to a vesting provision in which 20% vest on the listing date and an additional 20% vest every 6 months thereafter.

Q3 Outlook of 2010

- Management has applied to list the company shares on the TSX Venture Exchange and raise up to $2.8 million by way of an initial public offering ("IPO") – a preliminary prospectus has been filed with the pertinent Canadian securities commissions
- Upon successful completion of the IPO, Caza plans to aggressively advance its prospective Mexican gold projects and evaluate additional gold properties for acquisition.

Caza Gold Corp. is an unlisted gold exploration company focused on the acquisition and exploration of strategic gold properties in Mexico and Latin America.

CAZA GOLD CORP.
Per:

/s/ Greg Myers

Greg Myers August 12, 2010
President and CEO

CAUTIONARY DISCLAIMER – FORWARD LOOKING STATEMENTS

Certain statements contained herein regarding the Company and its operations constitute "forward-looking statements". 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 and American Securities regulatory agencies. The Company expressly disclaims any obligation to update any forward-looking statements.

Notice to Readers of the Interim Unaudited Consolidated Financial Statements
For the Six Months Ended June 30, 2010

The interim unaudited consolidated financial statements of Caza Gold Corp. (the "Company") for the three and six months ended June 30, 2010 ("Financial Statements") have been prepared by management. The Financial Statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2009 which are available at the SEDAR website at www.sedar.com. 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.

(An Exploration Stage Company)
Consolidated Balance Sheets
(Unaudited – Prepared by Management)
(Stated in Canadian dollars)

		June 30, 2010		December 31, 2009
ASSETS				
Current Assets				
Cash	**$**	**175,516**	$	122,410
Receivables and prepaids		**254,824**		154,549
Total Current Assets		**430,340**		276,959
Non-Current Assets				
Mineral property interests (Note 5)		**681,704**		460,710
Equipment (Note 6)		**1,553**		1,954
Total Non-Current Assets		**683,257**		462,664
Total Assets	**$**	**1,113,597**	$	739,623
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities (Note 8)	**$**	**634,908**	$	476,539
Shareholders' Equity				
Share capital (Note 7)		**2,988,031**		2,174,964
Contributed surplus		**115,500**		-
Deficit		**(2,624,842)**		(1,911,880)
Total Shareholders' Equity		**478,689**		263,084
Total Liabilities and Shareholders' Equity	**$**	**1,113,597**	$	739,623

Nature of operations and going concern (Note 1)
Commitments (Note 5)
Subsequent events (Notes 5 and 10)

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)
Consolidated Statements of Operations
(Unaudited – Prepared by Management)
(Stated in Canadian dollars)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Expenses:				
Accounting and audit	**$ 19,674**	$ 6,856	**$ 19,674**	$ 13,005
Amortization	**267**	200	**401**	401
Employee remuneration (Note 8)	**57,385**	12,299	**225,160**	93,048
Legal (Note 8)	**19,800**	5,272	**26,651**	8,393
Office and sundry (Note 8)	**25,280**	12,525	**41,476**	39,195
Property investigation	**92,108**	12,577	**114,412**	13,702
Regulatory	**5,715**	17,552	**8,403**	20,031
Shareholder relations	**31,749**	17,979	**43,759**	17,979
Loss before the undernoted	**(251,978)**	(85,260)	**(479,936)**	(205,754)
Interest and other income	**-**	-	**-**	131
Foreign exchange loss	**(542)**	(181)	**(11,066)**	(1,273)
Adjustment to mineral property interest previously held (Note 5(a))	**(106,460)**	-	**(106,460)**	-
Warrant modification expense (Note 7(c))	**-**	-	**(115,500)**	-
Net loss and comprehensive loss for the period	**$ (358,980)**	$ (85,441)	**$ (712,962)**	$ (206,896)
Basic and diluted loss per share	**$ (0.01)**	$ (0.00)	**$ (0.03)**	$ (0.01)
Weighted average number of common shares outstanding	**26,246,792**	21,849,423	**25,073,514**	21,849,423

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)
Consolidated Statements of Shareholders' Equity
(Unaudited – Prepared by Management)
(Stated in Canadian dollars)

	Six months ended June 30, 2010		Year ended December 31, 2009	
	Shares	**Amount**	Shares	Amount
Common shares:				
Balance, beginning of period	**23,049,423**	**$ 2,174,964**	21,849,423	$ 1,882,692
Issued:				
Private placement, net of share issue cost	**2,830,501**	**657,067**	800,000	192,272
Exercise of warrants	**1,300,000**	**156,000**	-	-
Property acquisition	-	-	400,000	100,000
Balance, end of period	**27,179,924**	**2,988,031**	23,049,423	2,174,964
Contributed surplus				
Balance, beginning of period		-		-
Warrant modification expense (Note 7(c))		**115,500**		-
Balance, end of period		**115,500**		-
Deficit:				
Balance, beginning of period		**(1,911,880)**		(1,380,430)
Loss for the period		**(712,962)**		(531,450)
Balance, end of period		**(2,624,842)**		(1,911,880)
Total Shareholders' Equity		**$ 478,689**		$ 263,084

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Unaudited – Prepared by Management)
(Stated in Canadian dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
Cash provided from (used for):				
Operations:				
Loss for the period	**$ (358,980)**	$ (85,441)	**$ (712,962)**	$ (206,896)
Items not involving cash:				
Amortization	**267**	200	**401**	401
Adjustment to mineral property interest previously held	**106,460**	-	**106,460**	-
Warrant modification expense	**-**	-	**115,500**	-
	(252,253)	(85,241)	**(490,601)**	(206,495)
Changes in non-cash working capital items:				
Receivables and prepaids	**(80,696)**	(107,980)	**(100,275)**	(106,445)
Accounts payable and accrued liabilities	**31,850**	67,945	**51,909**	94,472
	(301,099)	(125,276)	**(538,967)**	(218,468)
Financing:				
Issuance of common shares, net of shares issue costs	**250,816**	-	**657,067**	-
Exercise of warrants	**-**	-	**156,000**	-
	250,816	-	**813,067**	-
Investing:				
Mineral properties, net of adjustments	**(158,465)**	(17,057)	**(220,994)**	(23,697)
	(158,465)	(17,057)	**(220,994)**	(23,697)
Increase (decrease) in cash	**(208,748)**	(142,333)	**53,106**	(242,165)
Cash, beginning of period	**384,264**	308,069	**122,410**	407,901
Cash, end of period	**$ 175,516**	$ 165,736	**$ 175,516**	$ 165,736
Supplemental cash flow information:				
Interest paid	**$ -**	$ -	**$ -**	$ -
Income taxes paid	**-**	-	**-**	-

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Mineral Property Expenditures

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

	June 30, 2010						
	Santiago	Moris	Santiago Fraction	El Relampago	Oaxaca	Tecolote	Total
Acquisition Costs:							
Balance, beginning of period	$ 116,058	$ 102,612	$ 29,977	$ 16,602	$ 6,637	$ 27,579	$ 299,465
Option payment (adjustment)	-	-	-	15,783	6,207	(6,751)	15,239
Balance, end of period	116,058	102,612	29,977	32,385	12,844	20,828	314,704
Deferred Exploration Expenditures:							
Balance, beginning of period	109,123	40,633	3,515	1,489	5,686	799	161,245
Assays and surveys	3,963	738	-	-	-	-	4,701
Geology and consultants	49,134	24,028	4,491	-	-	891	78,544
Local labour and supplies	1,715	1,423	-	-	-	-	3,138
Surface taxes	27,025	59,066	-	940	9,150	1,488	97,669
Transportation	16,192	5,022	473	-	-	16	21,703
Balance, end of period	207,152	130,910	8,479	2,429	14,836	3,194	367,000
Mineral property interests, end of period	$ 323,210	$ 233,522	$ 38,456	$ 34,814	$ 27,680	$ 24,022	$ 681,704

Refer to the accompanying notes to the consolidated financial statements.

1. Nature of Operations and Going Concern

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 became effective as of June 25, 2008.

The Company is in the mineral exploration business and has not yet determined whether its properties contain reserves that are economically recoverable. The recoverability of amounts capitalized for mineral property interests is dependent upon the ability of the Company to arrange appropriate financing as needed, the discovery of economically recoverable reserves, the development of its properties, confirmation and maintenance of the Company's interest in the underlying properties (Note 5), 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 a deficit of approximately $2.6 million at June 30, 2010. Furthermore, the Company has a working capital deficiency of approximately $204,600 as at June 30, 2010. These consolidated 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 ability of the Company to raise equity or debt financings and/or the attainment of profitable operations. Management is actively seeking to raise the necessary capital to meet its planned business objectives. There can be no assurance that management's plans will be successful. These consolidated 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. Such adjustments could be material.

2. Significant Accounting Policies

(a) Basis of presentation:

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are stated in Canadian dollars.

These consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, Minera Caza S.A. de C.V. ("Minera Caza") and Minera Canarc de Mexico S.A. de C.V. ("Minera Canarc").

All significant intercompany transactions and balances have been eliminated.

These unaudited interim consolidated financial statements do not contain all the information and note disclosures required by Canadian GAAP for annual financial statements, and should be read in conjunction with the notes to the Company's audited annual consolidated financial statements for the year ended December 31, 2009.

2. Significant Accounting Policies (continued)

(b) Financial instruments:

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. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are 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.

(c) Mineral property interests:

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition or staking costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse.

All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the property interests are abandoned or the claims are allowed to lapse.

2. Significant Accounting Policies (continued)

(c) Mineral property interests: (continued)

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable in the future are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is credited to income.

(d) Equipment:

Equipment is recorded at cost and the Company uses the declining balance method at rates varying from 10% to 30% annually.

(e) Proceeds from unit offerings:

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated entirely to common shares.

(f) Fair value of warrants:

Modifications to exercise prices or expiry dates of existing warrants are measured at fair values at the effective date of such changes using the Black-Scholes option pricing model, and are charged to operations. The offset is credited to contributed surplus. Consideration received on the exercise of the warrants is recorded as share capital and the related amount in contributed surplus is transferred to share capital.

(g) 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 property interests, and based upon such assessments, there were no known material asset retirement obligations.

(h) Earnings (loss) per share:

Basic earnings (loss) per share is computed by dividing the earnings (loss) 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 (loss) 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 loss per share presented is the same as basic loss per share as the effect of outstanding warrants would be anti-dilutive.

2. Significant Accounting Policies (continued)

(i) Foreign currency translation:

The functional currency of the Company is the Canadian dollar. Amounts recorded in a foreign currency are translated into Canadian dollars as follows:

- monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
- non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- interest income and expenses (excluding amortization, which is translated at the same rate as the related asset), at the average rate of exchange.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss for the period.

(j) 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 collectability of receivables, balances of accrued liabilities, impairment of mineral property interests, determination of reclamation obligations, valuation allowance for future income taxes, and the determination of the fair value of modified warrants under the Black-Scholes option pricing model. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(k) Future accounting pronouncements:

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

In 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the transition to IFRS from Canadian GAAP will be effective for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises. The Company will therefore be required to present IFRS financial statements for its March 31, 2011 interim financial statements. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended December 31, 2010.

The Company is proceeding with its conversion to IFRS and continues with its three primary transition phases which include preliminary scoping and diagnostics, detailed analysis and evaluation and design, and implementation and review. These phases may occur concurrently as IFRS is applied to different accounting issues as the Company progresses in its transition to IFRS.

2. Significant Accounting Policies (continued)

(k) Future accounting pronouncements: (continued)

(ii) Business combinations:

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

The new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

3. Management of Capital

The Company is an exploration stage company and its activities involve a high degree of risk. The Company has not yet determined whether its properties contain economically recoverable ore reserves and currently has not earned any revenues from its mineral property interests and does not generate cash flows from any operations. The Company's primary source of funds is from the issuance of capital stock. The Company is not subject to any externally imposed capital requirements.

The Company defines its capital as share capital. Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses on all exploration projects and overhead to manage its costs, commitments and exploration activities.

Management reviews the capital availability and needs on a regular basis to ensure the above-noted objectives are met. There have been no changes to the Company's approach to capital management during the period.

Although the Company has been successful at raising funds in the past from the issuance of capital stock, it is uncertain whether such financing will be available during difficult economic conditions. The Company has a working capital deficiency and insufficient funds to satisfy its working capital needs at period-end, and will continue to rely on equity financings to eliminate its working capital deficiency, to continue exploration work on its mineral property interests and to meet its administrative overhead costs and ongoing working capital needs for the coming periods.

4. Management of Financial Risk

The Company has classified its cash as held-for-trading, and accounts payable and accrued liabilities as other financial liabilities.

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

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 foreign exchange 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 cash. The Company limits exposure to credit risk through maintaining its cash with high-credit quality Canadian financial institutions.

(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 attempts to ensure that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise equity financings. The Company will require significant additional funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests in 2010.

Accounts payable and accrued liabilities are due in the third quarter of 2010.

(c) Market risk:

The significant market risk exposure to which the Company is exposed is foreign exchange risk.

4. Management of Financial Risk (continued)

(c) Market risk: (continued)

Foreign exchange risk:

The Company's mineral properties and a portion of its operations are in Mexico, resulting in expenditures subject to foreign currency fluctuations. Fluctuations in the Mexican peso would impact the earnings (losses) of the Company and the values of its assets and liabilities as its financial statements are stated in Canadian dollars. The Canadian dollar fluctuates and floats with the Mexican peso.

At June 30, 2010, the Company is exposed to foreign exchange risk for its Canadian dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars as follows:

	Held in Mexican Pesos (stated in Canadian dollars)
Cash	$ 40,454
Accounts payable and accrued liabilities	(356,204)
Net financial liabilities	$ (315,750)

Based upon the above net exposure as at June 30, 2010 and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar relative to the Mexican peso could result in a decrease/increase of approximately $31,575 in the Company's net losses.

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

5. Mineral Property Interests

(a) Los Arrastres:

In February 2007, Minera Canarc entered into an option agreement to acquire a 100% interest in the Los Arrastres property by making US$2.5 million in cash payments and spending US$2 million on exploration over a 3 year period. The vendor retained a 2% net smelter return ("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, a payment of US$75,000 in August 2007 and then another payment of US$25,000 in February 2008. The property was written-off in fiscal 2008. As at December 31, 2009, Minera Canarc accrued US$75,000 which is due to the vendor. In June 2010, the Company recognized and accrued an additional US$100,000 for a total outstanding balance of US$175,000 in cash payments under the option agreement as at June 30, 2010.

(b) Los Angeles:

In April 2008, the Company and Minera Canarc, which were both wholly-owned subsidiaries of Canarc at that time, entered into an option agreement to acquire a 100% interest in the La Escondida / Los Angeles properties by making US$1 million in cash payments over a 4 year period and issuing US$50,000 in shares of the Company over a 12 month period. The vendors retained a 3% NSR. An initial payment of US$15,000 was made upon signing of the option agreement. In October 2008, the Company issued 82,796 shares to the vendors at a value of $0.25 per share and also made a cash payment of US$25,000 to the vendors. The Company wrote-off the property in 2009.

(c) Santiago:

In May 2007, Minera 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 retained a 2% NSR. Canarc made an initial payment of US$30,000 upon signing of the option agreement and cash payments of US$30,000 in November 2007 and US$60,000 in May 2008.

In May 2009 and then in April 2010, Minera Caza amended the option agreement to acquire a 100% interest in the property for US$2.02 million of which US$120,000 was previously paid, and thereafter further payments totalling US$70,000 from May 2009 to July 2010 were made by the Company, with a remaining balance of US$1.83 million payable over a 4 year period, and spending US$200,000 on exploration over a 1 year period which can be extended provided the Company maintains an active exploration program. The vendor retains a 2% NSR.

5. Mineral Property Interests (continued)

(d) Moris and Santiago Fraction, El Relampago, Oaxaca and Tecolote:

(i) Moris and Santiago Fraction:

In September 2007, Minera Canarc entered into an option and joint venture agreement with Exmin Resources Inc. (“Exmin”) 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 value of $0.45 per share in 2007. The Company made a cash payment of US$25,000 in September 2008.

On September 24, 2009, Canarc and Minera Canarc cancelled the option and joint venture agreement with Exmin, and the Company and Minera Caza entered into a mineral properties sale and purchase agreement with Exmin. The Company and Minera Caza shall acquire a 100% interest in the Moris and Santiago Fraction properties from Exmin for 400,000 common shares (issued) of the Company. Exmin retains a 1% NSR which is capped at US$1 million for the Moris properties and US$0.5 million for the Santiago Fraction property.

Underlying the mineral properties sale and purchase agreement dated September 24, 2009 with Exmin are option to purchase agreements, as amended, for El Relampago, Oaxaca and Tecolote properties.

(ii) El Relampago:

On November 17, 2009, the Company amended the option to purchase agreement for the El Relampago concession, in which the Company can earn a 100% interest by making cash payments of US$105,000 over a 3 year period. Cash payments of US$15,000 were paid in November 2009 and then US$15,000 in May 2010.

(iii) Oaxaca:

On November 17, 2009, the Company amended the option to purchase agreement for the Oaxaca property concessions, in which the Company can earn a 100% interest by making cash payments of US$786,000 over a 5 year period. Cash payments of US$6,000 were paid in fiscal 2009 and US$6,000 for the six months ended June 30, 2010.

(iv) Tecolote:

The Company can earn a 100% interest by making cash payments of US$25,000 in September 2009 which was accrued at December 31, 2009 and US$25,000 in March 2010. In March 2010, the option agreement was amended whereby total cash option payments of US$50,000 are due and payable during fiscal 2010. Cash payments of US$20,000 were paid in April 2010 and US$15,000 in July 2010.

5. Mineral Property Interests (continued)

(e) Expenditure options:

As at June 30, 2010, 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 Payments (US dollars)	Monthly Option Payments (US dollars)	Expenditure Commitments (US dollars)
Santiago (Note 5(c)):			
June 5, 2010 [1]	$ -	$ -	$ 11,080
July 8, 2010 (paid)	25,000	-	-
October 8, 2010	30,000	-	-
June 5, 2011	100,000	-	-
June 5, 2012	120,000	-	-
June 5, 2013	1,580,000	-	-
El Relampago (Note 5(d)(ii)):			
November 18, 2010	15,000	-	-
May 18, 2011	15,000	-	-
November 18, 2011	15,000	-	-
May 18, 2012	15,000	-	-
November 18, 2012	15,000	-	-
Oaxaca (Note 5(d)(iii)):			
April 2010 to June 2014	-	1,000	-
July 2014	726,000	-	-
Tecolote (Note 5(d)(iv)):			
July 22, 2010 (paid)	15,000	-	-
September 22, 2010	15,000	-	-
	$ 2,686,000	$ 1,000	$ 11,080

[1] Exploration expenditure commitments which were due June 5, 2010 have been extended as the Company maintains an active exploration program.

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

5. Mineral Property Interests (continued)

(f) 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.

Mineral exploration and development is highly speculative and involves inherent risks. Few properties that are explored are ultimately developed into producing mines. There can be no assurance that the current exploration programs by the Company will result in the discovery of economically viable quantities of ore.

(g) Realization:

The Company's investment in and expenditures on its mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent on establishing legal ownership of the properties, on the attainment of successful commercial production or from the proceeds of their disposal. The recoverability of the amounts shown for mineral property interests is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production or proceeds from the disposition thereof.

(h) Environmental:

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation of the Company's operation may cause additional expenses and restrictions.

If these restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former mineral property interests that may result in material liability to the Company.

(Stated in Canadian dollars)

6. Equipment

	June 30, 2010		
	Cost	Accumulated Amortization	Net Book Value
Equipment	$ 3,607	$ 2,054	$ 1,553

7. Share Capital

(a) Authorized and issued:

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

On April 30, 2010, the Company closed a private placement for 2,830,501 units at $0.25 per unit for gross proceeds of $707,625. Each unit was comprised of one common share and one-half of a whole common share purchase warrant; each full common share purchase warrant is exercisable to acquire one common share at $0.35 until October 31, 2011.

(b) Stock option plan:

The Company has a stock option plan that allows it to grant options to its directors, officers, employees and consultants, provided that the aggregate number of options granted shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company. The exercise price of each option shall be based on the market price of the Company's shares as traded on a stock exchange at the time of grant; the Company's shares are not currently listed for trading on any stock exchange. Options have a maximum term of ten years and terminate 30 days following the termination of the optionee's employment, except in the case of death, in which case they terminate one year after the event. Vesting of options is made at the discretion of the Board at the time the options are granted.

On June 21, 2010, the Company granted options to purchase an aggregate of 2,430,000 common shares at a price of $0.35 per share for a period expiring on the fifth anniversary of the date on which the common shares of the Company are first listed and called for trading on the TSX Venture Exchange (the "Listing Date"). The stock options are subject to a vesting provision in which 20% vest on the Listing Date and an additional 20% vest every 6 months thereafter. As at June 30, 2010, stock options for 2,430,000 common shares were outstanding but no stock options have vested.

(Stated in Canadian dollars)

7. Share Capital (continued)

(c) Warrants:

At June 30, 2010, the Company had outstanding warrants as follows:

Exercise Prices	Expiry Dates	Outstanding at December 31, 2009	Issued	Exercised	Expired	Outstanding at June 30, 2010
$0.12	January 31, 2010	1,400,000	-	(1,300,000)	(100,000)	-
$0.35	March 30, 2011 (1)	2,310,000	-	-	-	2,310,000
$0.30	April 2, 2012	400,000	-	-	-	400,000
$0.35	October 31, 2011	-	1,415,251	-	-	1,415,251
		4,110,000	1,415,251	(1,300,000)	(100,000)	4,125,251

(1) In March 2010, the original expiry date of March 30, 2010 was extended to March 30, 2011. As a result of the extension of the expiry date, an expense of $115,500 was recorded in the statement of operations with a corresponding credit to contributed surplus using the Black-Scholes option pricing model with the following assumptions: volatility 82%, risk-free rate 1.2%, expected life 1 year, and expected dividend yield 0%.

8. Related Party Transactions

Related party transactions during the six months ended June 30, 2010 include:

- $49,991 (June 30, 2009 - $27,400) in salaries paid to employees who are directors of the Company;
- $33,123 (June 30, 2009 - $21,600) in legal fees to a law firm in which a director of the Company is a partner. As at June 30, 2010, the Company owed $90,600 (December 31, 2009 - $56,014) to the law firm which is included in accounts payable and accrued liabilities; and
- $111,778 (June 30, 2009 - $172,500) in office and sundry, rent and salary allocations from companies with certain common director(s). As at June 30, 2010, the Company owed $85,614 (December 31, 2009 - $46,807) to these companies which are included in accounts payable and accrued liabilities.

Amounts which are incurred to related parties are in the normal course of business and measured at the exchange amount, which is the amount agreed upon by the transacting parties and on terms and conditions similar to non-related parties. The Company shares common office facilities, employee and administrative support, and office sundry amongst companies with one common director, and such allocations to the Company are on a full cost recovery basis. Any balances due to related parties are unsecured, non-interest bearing, and due on demand.

(Stated in Canadian dollars)

9. Segment Disclosures

The Company has one operating segment, being mineral exploration, with assets located in Canada and Mexico, as follows:

	June 30, 2010		
	Canada	Mexico	Total
Mineral property interests	$ -	$ 681,704	$ 681,704
Equipment	-	1,553	1,553
Total assets	221,117	892,480	1,113,597

10. Preliminary Prospectus for Listing on the TSX Venture Exchange

In August 2010, the Company filed a preliminary prospectus with the securities commissions in British Columbia, Alberta and Ontario (the "Securities Commissions") to qualify the sale to the public of up to 8,000,000 units of the Company at $0.35 per unit (the "Offering"). The Company has also applied for a listing (the "Listing") on the TSX Venture Exchange (the "TSXV"). The Offering and the Listing are subject to final receipt and acceptance of the prospectus by the Securities Commissions, the completion of the Offering, and meeting the initial listing requirements of the TSXV.

The Company has engaged Canaccord Genuity Corp. as the Agent for the Offering. Each unit is comprised of one common share and one-half of a whole share purchase warrant. Each warrant will be exercisable to purchase one common share at an exercise price of $0.45 per share for a period of up to 18 months from the closing of the Offering. The warrants are subject to early expiry in the event that the volume weighted average trading price of the Company's common shares on the TSXV exceeds $0.70 for a period of 20 consecutive trading days.

The Company has agreed to pay the Agent a cash commission equal to 8% of the gross proceeds from the Offering. The Company will issue to the Agent non-transferable share purchase warrants to acquire that number of common shares of the Company as is equal to 8% of the number of units sold pursuant to the Offering exercisable at an exercise price of $0.35 per share for a period of 18 months from the closing date. The Company will also pay the Agent a corporate finance fee of, at the option of the Agent, $30,000 in cash or through the issuance of 85,715 units of the Company for corporate finance services related to the Offering and will also pay the Agent's expenses in connection with the Offering, including legal expenses and the Agent's reasonable out-of-pocket expenses.

HEAD OFFICE	#301 – 700 West Pender Street Vancouver, BC, Canada, V6C 1G8 Telephone: (604) 685-9750 Facsimile: (604) 685-9744
DIRECTORS	Bradford Cooke Anthony Hawkshaw Stewart Lockwood Philip Yee
OFFICERS	Bradford Cooke ~ Chairman Greg Myers ~ Chief Executive Officer and President Philip Yee ~ Chief Financial Officer Stewart Lockwood ~ Secretary
REGISTRAR AND TRANSFER AGENT	Computershare Investor Services Inc. 3rd Floor, 510 Burrard Street Vancouver, BC, Canada, V6C 3B9
AUDITORS	Smythe Ratcliffe LLP 7th Floor, 355 Burrard Street Vancouver, BC, Canada, V6C 2G8
SOLICITORS	Vector Corporate Finance Lawyers #1040 – 999 West Hastings Street Vancouver, BC, Canada, V6C 2W2

CAZA GOLD CORP.

Management Discussion and Analysis

(stated in Canadian dollars)

Six Months ended June 30, 2010

CAZA GOLD CORP.

(the "**Company**")

Management's Discussion and Analysis
For the Six Months Ended June 30, 2010

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 or "forward-looking information" under Canadian securities legislation. 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 or information". We caution you that such "forward looking statements or information" 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 or information, except as may be required by law.

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 three month and six month periods ended June 30, 2010 and the audited consolidated financial statements for the year ended December 31, 2009 and 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 ("Canadian GAAP"), and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

All information contained in the MD&A is as of August 20, 2010 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 evaluation, 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 Moris, Santiago Fraction, El Relampago, Oaxaca and Tecolote, and Santiago, in Mexico, in which the Santiago property was 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. ("Minera Canarc"), which held certain rights to Mexican gold exploration properties to the Company in return for 14,346,627 shares of the Company, of which Canarc distributed 11,950,577 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. The property rights which were transferred from Canarc to the Company included the Los Arrastres, Santiago and Santiago Fraction properties.

Preliminary Prospectus for Listing on the TSX Venture Exchange:

In August 2010, the Company has filed a preliminary prospectus with the securities commissions in British Columbia, Alberta and Ontario (the "Securities Commissions") to qualify the sale to the public of up to 8,000,000 units of the Company at $0.35 per unit (the "Offering"). The Company has also applied for a listing (the "Listing") on the TSX Venture Exchange (the "TSXV"). The Offering and the Listing are subject to final receipt and acceptance of the prospectus by the Securities Commissions, the completion of the Offering, and meeting the initial listing requirements of the TSXV.

The Company has engaged Canaccord Genuity Corp. as the Agent for the Offering. Each unit is comprised of one common share and one-half of a whole share purchase warrant. Each warrant will be exercisable to purchase one common share at an exercise price of $0.45 for a period of up to 18 months from the closing of the Offering. The warrants are subject to early expiry in the event that the volume weighted average trading price of the Company's common shares on the TSXV exceeds $0.70 for a period of 20 consecutive trading days.

The Company has agreed to pay the Agent a cash commission equal to 8% of the gross proceeds from the Offering. The Company will issue to the Agent non-transferable share purchase warrants to acquire that number of common shares of the Company as is equal to 8% of the number of units sold pursuant to the Offering exercisable at an exercise price of $0.35 for a period of 18 months from the closing date. The Company will also pay the Agent a corporate finance fee of, at the option of the Agent, $30,000 in cash or through the issuance of 85,715 units of the Company for corporate finance services related to the Offering and will also pay the Agent's expenses in connection with the Offering, including legal expenses and the Agent's reasonable out-of-pocket expenses.

1.2 Overall Performance

As the Company is focused on its mineral exploration activities, there is no mineral production, sales or inventory in the conventional sense. The recoverability of amounts capitalized for mineral property interests 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 and maintenance of the Company's interest in the underlying properties, the receipt of necessary permits and upon future profitable production or proceeds from the disposition thereof. Such exploration and development activities normally 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.

Gold prices continued to show strength as the cumulative annual average increased from US$695 in 2007 to US$872 in 2008 and then to US$972 in 2009 and closing at US$1,223 on August 20, 2010. Gold prices achieved new highs in each of the past several years. In November 2007, prices reached a high of US$841 and then US$1,011 in March 2008 before reaching a high of US$1,213 in December 2009. The high for 2010 was on June 28, 2010 at US$1,261.

Los Angeles property

In April 2008, the Company and Minera Canarc entered into an option agreement to acquire a 100% interest in the La Escondida / Los Angeles properties by making US$1 million in cash payments over a 4 year period and issuing US$50,000 in shares of the Company over a 12 month period. The vendors retained a 3% net smelter return royalty ("NSR"). An initial payment of US$15,000 was made upon the signing of the option agreement. In October 2008, the Company issued 82,796 shares to the vendors at a value of $0.25 per share and also made a cash payment of US$25,000 to the vendors. The Company wrote-off the property in 2009.

Santiago property

In May 2007, Minera 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 retained a 2% NSR. Canarc made an initial payment of US$30,000 upon the signing of the option agreement and further cash payments of US$30,000 in November 2007 and US$60,000 in May 2008.

In May 2009 and then in April 2010, the Company's subsidiary, Minera Caza SA de CV ("Minera Caza"), amended the option agreement to acquire 100% interest in the property for US$2.02 million of which US$120,000 was previously paid, and thereafter further payments totalling US$70,000 from May 2009 to July 2010 were made by the Company, with a remaining balance of US$1.83 million payable over a 4 year period, and spending US$200,000 on exploration over a 1 year period which can be extended provided the Company maintains an active exploration program. The vendor retains a 2% NSR.

Moris, Santiago Fraction, El Relampago, Oaxaca and Tecolote properties

In September 2007, Minera Canarc entered into an option and joint venture agreement with Exmin Resources Inc. ("Exmin") 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 value of $0.45 per share in 2007. The Company made a cash payment of US$25,000 in September 2008.

In September 2009, Canarc and Minera Canarc cancelled the option and joint venture agreement with Exmin, and the Company and Minera Caza entered into a mineral properties sale and purchase agreement with Exmin. The Company and Minera Caza acquired a 100% interest in the Moris and Santiago Fraction properties from Exmin by the issuance of 400,000 common shares (issued) of the Company. Exmin retains a 1% NSR which is capped at US$1 million for the Moris properties and US$0.5 million for the Santiago Fraction property.

Underlying the mineral properties sale and purchase agreement dated September 24, 2009 with Exmin are option to purchase agreements, as amended, for El Relampago, Oaxaca and Tecolote properties.

On November 17, 2009, the Company amended the option to purchase agreement for the El Relampago concession, in which the Company can earn a 100% interest by making cash payments of US$105,000 over a 3 year period. Cash payments of US$15,000 were paid in November 2009 and then US$15,000 in May 2010.

On November 17, 2009, the Company amended the option to purchase agreement for the Oaxaca property concessions, in which the Company can earn a 100% interest by making cash payments of US$786,000 over a 5 year period. Cash payments of US$6,000 were paid in fiscal 2009 and US$6,000 for the six months ended June 30, 2010.

For the Tecolote property concession, the Company can earn a 100% interest by making cash payments of US$25,000 in September 2009 and US$25,000 in March 2010 of which US$25,000 was accrued at December 31, 2009. In March 2010, the option agreement was amended whereby total cash option payments of US$50,000 are due and payable during fiscal 2010. A cash payment of US$20,000 were paid in April 2010 and US$15,000 in July 2010.

Stock Options:

At the Company's annual general meeting held in May 2009, the shareholders of the Company approved a stock option plan that allows it to grant options to its directors, officers, employees and consultants, provided that the aggregate number of options granted shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company. The exercise price of each option shall be based on the market price of the Company's shares as traded on a stock exchange at the time of grant; the Company's shares are not currently listed for trading on any stock exchange. Options have a maximum term of ten years and terminate 30 days following the termination of the optionee's employment, except in the case of death, in which case they terminate one year after the event. Vesting of options is made at the discretion of the Board at the time the options are granted.

On June 21, 2010, the Company granted options to purchase an aggregate of 2,430,000 common shares at a price of $0.35 per share for a period expiring on the fifth anniversary of the date on which the common shares of the Company are first listed and called for trading on the TSX Venture Exchange (the "Listing Date"). The stock options are subject to a vesting provision in which 20% vest on the Listing Date and an additional 20% vest every 6 months thereafter.

Other:

In January 2010, Mr. Greg Myers was appointed Chief Executive Officer and President of the Company, and in February 2010, Mr. Jim Robinson as Vice-President of Exploration who resigned effective May 31, 2010. Mr. Bradford Cooke continues in his capacity as Chairman of the Board.

On April 30, 2010, the Company closed a private placement for 2,830,501 units at $0.25 per unit for gross proceeds of $707,625. Each unit was comprised of one common share and one-half of a one common share purchase warrant; each full common share purchase warrant is exercisable to acquire one common share at $0.35 until October 31, 2011.

At the Company's annual general meeting held on June 29, 2010, Messrs. Bradford Cooke, Anthony Hawkshaw, Stewart Lockwood and Philip Yee were re-elected to the Board of Directors for the ensuing year.

1.3 <u>Selected Annual Information</u>

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

(Stated in Canadian dollars)

	Years ended December 31, 2009		Years ended December 31, 2008		From November 15, 2007 to December 31, 2007	
Total revenues	$	-	$	-	$	-
Loss before discontinued operations and extraordinary items:						
(i) Total	$	(531,450)	$	(897,968)	$	(27,469)
(ii) Basic per share	$	(0.02)	$	(0.09)	$	(274.69)
(iii) Fully diluted per share	$	(0.02)	$	(0.09)	$	(274.69)
Net loss:						
(i) Total	$	(531,450)	$	(897,968)	$	(27,469)
(ii) Basic per share	$	(0.02)	$	(0.09)	$	(274.69)
(iii) Fully diluted per share	$	(0.02)	$	(0.09)	$	(274.69)
Total assets	$	739,623	$	740,404	$	300,234
Total long-term liabilities	$	-	$	-	$	-
Dividends per share	$	-	$	-	$	-

1.4 <u>Results of Operations</u>

Second Quarter of Fiscal 2010 – Six months ended June 30, 2010 compared with June 30, 2009

The Company incurred a net loss of approximately $713,000 for the six months ended June 30, 2010 which is higher than the net loss of approximately $206,900 for the same period in fiscal 2009. The increase is due to the expansion of the Company's staff and exploration activities. Employee remuneration increased from the appointment of a new full time senior officer to management of the Company and related fees and additional staff allocations to the Company, in which employee remuneration cumulatively attributed to about 32% of the net loss for the period. Corporate development goals for 2010 require an increased effort toward property investigations. These increased expenditures reflect a concerted program of property evaluations in Mexico to identify exploration and acquisition targets. These costs were higher in the six month period ended June 30, 2010 than in 2009 as the Company's new management proceeded with initiatives in Mexico and Central America. Further operating support and ancillary efforts were needed for completion of a NI 43-101 technical report for the Company's Santiago property, equity financing which closed on April 30, 2010, and the Company's preliminary prospectus and listing application on the TSX Venture Exchange, both of which have been filed in early August 2010 as the Company proceeds with its initial public offering.

Shareholder relations involve resolution of shareholder issues and other ancillary support for the Company's significant breadth of Canadian and U.S. shareholder base. These costs were similarly higher in the current period than the same period in the prior year as the Company initiated its plans and activities to raise the profile of the Company and the status and progress of its Mexican projects.

Any modifications to exercise prices or expiry dates to existing warrants as issued by the Company would be measured at fair values at the effective date of these changes using the Black-Scholes option pricing model. In February 2010, the Company extended the expiry date by one year from March 30, 2010 to March 30, 2011 for warrants to acquire up to 2,310,000 common shares and which have an exercise price of $0.35. The fair value of the extension in the expiry date resulted in the recognition of a warrant modification expense of $115,500 which accounted for about 16% of the net loss for the current period.

(Stated in Canadian dollars)

In the current quarter, the Company recognized and accrued an adjustment of US$100,000 in the write-off of mineral property interests relating to the Los Arrastres property which was written-off in fiscal 2008 and such amount has been accrued. As at June 30, 2010, amounts of US$175,000 in cash payments have been accrued as owed to the property owners plus approximately CAD$85,000 in outstanding concession surface taxes related to the property. The Company and the creditor have tentatively agreed to a debt settlement of US$80,000 in cash plus 690,000 shares of the Company at a value of US$0.25 per share in full settlement of the outstanding debt, pending ratification of a signed debt settlement agreement.

The foreign exchange loss is conducive of the weakened Mexican pesos relative to the Canadian dollar for the Company's Mexican subsidiaries during the period.

The Company has no sources of operating revenues.

As at June 30, 2010, the Company has mineral property interests which are comprised of the following:

	June 30, 2010						
	Santiago	Moris	Santiago Fraction	El Relampago	Oaxaca	Tecolote	Total
Acquisition Costs:							
Balance, beginning of period	$ 116,058	$ 102,612	$ 29,977	$ 16,602	$ 6,637	$ 27,579	$ 299,465
Option payment (adjustment)	-	-	-	15,783	6,207	(6,751)	15,239
Balance, end of period	116,058	102,612	29,977	32,385	12,844	20,828	314,704
Deferred Exploration Expenditures:							
Balance, beginning of period	109,123	40,633	3,515	1,489	5,686	799	161,245
Assays and surveys	3,963	738	-	-	-	-	4,701
Geology and consultants	49,134	24,028	4,491	-	-	891	78,544
Local labour and supplies	1,715	1,423	-	-	-	-	3,138
Surface taxes	27,025	59,066	-	940	9,150	1,488	97,669
Transportation	16,192	5,022	473	-	-	16	21,703
Balance, end of period	207,152	130,910	8,479	2,429	14,836	3,194	367,000
Mineral property interests, end of period	$ 323,210	$ 233,522	$ 38,456	$ 34,814	$ 27,680	$ 24,022	$ 681,704

As at June 30, 2010, 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 Payments (US dollars)	Monthly Option Payments (US dollars)	Expenditure Commitments (US dollars)
Santiago:			
June 5, 2010 [(1)]	$ -	$ -	$ 11,080
July 8, 2010 (paid)	25,000	-	-
October 8, 2010	30,000	-	-
June 5, 2011	100,000	-	-
June 5, 2012	120,000	-	-
June 5, 2013	1,580,000	-	-
El Relampago:			
November 18, 2010	15,000	-	-
May 18, 2011	15,000	-	-
November 18, 2011	15,000	-	-
May 18, 2012	15,000	-	-
November 18, 2012	15,000	-	-
Oaxaca:			
April 2010 to June 2014	-	1,000	-
July 2014	726,000	-	-
Tecolote:			
July 22, 2010 (paid)	15,000	-	-
September 22, 2010	15,000	-	-
	$ 2,686,000	$ 1,000	$ 11,080

(1) Exploration expenditure commitments which were due June 5, 2010 has been extended as the Company maintains an active exploration program.

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 Canadian GAAP, and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

The following table provides selected financial information of the Company for each of the last eight quarters ended at the most recently completed quarter, June 30, 2010:

(Stated in Canadian dollars)

	2010		2009				2008	
	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30
Total revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Income (loss) before discontinued discontinued operations and extraordinary items:								
(i) Total	$ (358,980)	$ (353,982)	$ (145,552)	$ (179,002)	$ (85,441)	$ (121,455)	$ 148,617	$ (909,532)
(ii) Basic per share	$ (0.01)	$ (0.02)	$ -	$ (0.01)	$ -	$ (0.01)	$ 0.01	$ (0.06)
(iii) Fully diluted per share	$ (0.01)	$ (0.02)	$ -	$ (0.01)	$ -	$ (0.01)	$ 0.01	$ (0.06)
Net income (loss):								
(i) Total	$ (358,980)	$ (353,982)	$ (145,552)	$ (179,002)	$ (85,441)	$ (121,455)	$ 148,617	$ (909,532)
(ii) Basic per share	$ (0.01)	$ (0.02)	$ -	$ (0.01)	$ -	$ (0.01)	$ 0.01	$ (0.06)
(iii) Fully diluted per share	$ (0.01)	$ (0.02)	$ -	$ (0.01)	$ -	$ (0.01)	$ 0.01	$ (0.06)
Total assets	$ 1,113,597	$ 1,083,451	$ 739,623	$ 588,606	$ 627,980	$ 645,476	$ 740,404	$ 932,467
Total long-term liabilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Dividends per share	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

1.6 Liquidity and Capital Resources

The Company is in the exploration stage and has not yet determined whether its mineral properties contain reserves that are economically recoverable. The recoverability of amounts capitalized for mineral property interests is entirely dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and 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 property interests 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 property interests 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:

	June 30,	December 31,	
	2010	2009	2008
Cash	$ 175,516	$ 122,410	$ 407,901
Working capital (deficiency)	$ (204,568)	$ (199,580)	$ 293,498

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

In January 2010, warrants for 1.3 million shares were exercised which provided proceeds of $156,000.

On April 30, 2010, the Company closed a private placement for 2,830,501 units at $0.25 per unit for gross proceeds of $707,625. Each unit was comprised of one common share and one-half of a whole common share purchase warrant; each full common share purchase warrant is exercisable to acquire one common share at $0.35 until October 31, 2011.

In August 2010, the Company has filed a preliminary prospectus with the Securities Commissions to qualify the sale to the public of up to 8,000,000 units of the Company at $0.35 per unit. The Company has also applied for a listing on the TSX Venture Exchange. The Offering and the Listing are subject to final receipt and acceptance of the prospectus by the Securities Commissions, the completion of the Offering, and meeting the initial listing requirements of the TSXV. The Company has engaged Canaccord Genuity Corp. as the Agent for the Offering. Each unit is comprised of one common share and one-half of a whole share purchase warrant. Each warrant will be exercisable to purchase one common share at an exercise price of $0.45 for a period of up to 18 months from the closing of the Offering. The warrants are subject to early expiry in the event that the volume weighted average trading price of the Company's common shares on the TSXV exceeds $0.70 for a period of 20 consecutive trading days. The Company has agreed to pay the Agent a cash commission equal to 8% of the gross proceeds from the Offering. The Company will issue to the Agent non-transferable share purchase warrants to acquire that number of common shares of the Company as is equal to 8% of the number of units sold pursuant to the Offering exercisable at an exercise price of $0.35 for a period of 18 months from the closing date. The Company will also pay the Agent a corporate finance fee of, at the option of the Agent, $30,000 in cash or through the issuance of 85,715 units of the Company for corporate finance services related to the Offering and will also pay the Agent's expenses in connection with the Offering, including legal expenses and the Agent's reasonable out-of-pocket expenses.

The Company has a number of option agreements for mineral property interests 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, 2010. 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, 2010 include:

- $49,991 (June 30, 2009 - $27,400) in salaries paid to employees who are directors of the Company;
- $33,123 (June 30, 2009 - $21,600) in legal fees to a law firm in which a director of the Company is a partner. As at June 30, 2010, the Company owed $90,600 (December 31, 2009 - $56,014) to the law firm which is included in accounts payable and accrued liabilities; and

- $111,778 (June 30, 2009 - $172,500) in office and sundry, rent and salary allocations from companies with certain common director(s). As at June 30, 2010, the Company owed $85,614 (December 31, 2009 - $46,807) to these companies which are included in accounts payable and accrued liabilities.

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

Amounts which are incurred to related parties are in the normal course of business and measured at the exchange amount, which is the amount agreed upon by the transacting parties and on terms and conditions similar to non-related parties. The Company shares common office facilities, employee and administrative support, and office sundry amongst companies with one common director, and such allocations to the Company are on a full cost recovery basis. Any balances due to related parties are unsecured, non-interest bearing, and due on demand.

1.10 Second Quarter

Items 1.2, 1.4, 1.5 and 1.6 provide further details for the six months ended June 30, 2010.

1.11 Proposed Transactions

Items 1.2 and 1.6 provide further details of the Company's proposed initial public offering on a commercially reasonable basis.

There are no proposed material 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, and other than those already disclosed in its regulatory and public filings.

1.12 Critical Accounting 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 collectability of receivables, balances of accrued liabilities, impairment of mineral property interests, determination of reclamation obligations, valuation allowance for future income taxes, and the determination of the fair value of modified warrants under the Black-Scholes option pricing model. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

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 as issued by the Canadian Institute of Chartered Accountants ("CICA") are as follows:

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

In 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the transition to IFRS from Canadian GAAP will be effective for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises. The Company will therefore be required to present IFRS financial statements for its March 31, 2011 interim financial statements. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended December 31, 2010.

The Company is proceeding with its conversion to IFRS and continues with its three primary transition phases which include preliminary scoping and diagnostics, detailed analysis and evaluation and design, and implementation and review. These phases may occur concurrently as IFRS is applied to different areas as the Company progresses in its transition to IFRS.

(ii) Business combinations:

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

The new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

Transition issues from Canadian GAAP to IFRS:

In 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the transition to IFRS from Canadian GAAP will be effective for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises. The Company will therefore be required to present IFRS financial statements for its March 31, 2011 interim financial statements. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended December 31, 2010. The Company is proceeding with its conversion to IFRS and continues with its three primary transition phases which include preliminary scoping and diagnostics, detailed analysis and evaluation and design, and implementation and review. These phases may occur concurrently as IFRS is applied to different accounting issues as the Company progresses in its transition to IFRS.

Phase 1: Preliminary scoping and diagnostic impact assessment

Preliminary scoping and diagnosis impact assessment involves the identification of key areas which may have significant impacts on the Company in terms of differences between Canadian GAAP and IFRS. This phase also involve preliminary evaluation of IFRS 1 exemptions for first-time IFRS adopters, and high level general assessment of potential consequences on financial reporting, business processes, internal controls, and information systems, as applicable.

Phase 2: Analysis, evaluation and design

This phase would initially involve analysis of IFRS 1 optional exemptions and any qualified exemptions for retrospective application. This phase also entails the identification of changes required for existing accounting policies, information systems and operational and financial business processes, and any design and development of detailed solutions thereto to support and eventually implement such changes. This would include analysis of policy alternatives as allowed under IFRS, detailed impact assessment, and drafting content and disclosure for draft IFRS financial statements.

Phase 3: Implementation and review

The implementation and review phase involves embedding changes into operational and financial business processes and information and accounting systems including any reviews and approvals therein including those relevant to the Audit Committee, determining the opening IFRS transition financial statements, documenting detailed reconciliations of Canadian GAAP to IFRS financial statements, and compilation of IFRS compliant financial reports for the opening balance sheet at January 1, 2010, fiscal 2010 and thereafter.

Status in the Transition to IFRS

Based upon preliminary scoping and assessment in the first quarter of 2010, the Company identified certain differences between Canadian GAAP and IFRS which would impact the Company as detailed in the following table which also includes the status of the operational and business processes and systems which were accomplished in the second quarter:

Accounting Issues	**IFRS Implications**	**Status**
Deferred exploration expenditures	IFRS permits the capitalization of exploration expenditures prior to the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. IFRS requires an impairment test on exploration assets when facts and circumstances suggest the carrying amounts of those assets may exceed their recoverable values.	NI 43-101 technical reports for mineral property interests and any recommendations therein will supplement the impairment test for exploration assets.
Stock-based compensation	Under Canadian GAAP, options which are vested can use the following: - pooled as one grant and vested on a straight line basis, or - treated as separate individual grants and vest each grant on a straight line basis over each vesting period. IFRS requires the latter alternative. IFRS also requires an estimation of forfeiture rates.	The Company currently has adopted systems which allow for the determination of stock-based compensation under IFRS.
Units issuance in private	Units in a private placement are comprised of shares and warrants. IFRS requires a value	The Company currently has adopted systems which allow for the determination

placements	allocated to warrants in a unit private placement based upon the relative fair value.	of the fair values of warrants in unit private placements under IFRS.
Plan of arrangement for the spin out of Caza Gold Corp. from Canarc Resource Corp. ("Canarc")	In 2008, the plan of arrangement between the Company and Canarc involves related parties and was accounted for at carrying value in accordance with Canadian GAAP. For IFRS, all related party transactions are to be at fair value whereby the Company needs to determine the fair value for the plan of arrangement.	Pending.

In the third quarter of 2010, the Company shall continue to proceed with designing operational and business processes and systems to allow for the transition from Canadian GAAP to IFRS and in the fourth quarter expects to proceed with preliminary financial statements prepared under IFRS. The Company also needs to determine the fair valuation of the plan of arrangement between the Company and Canarc which is a related party transaction.

Information systems

Based upon preliminary assessment and diagnostic, the adoption of IFRS would not have a significant impact on the Company's information systems although modifications may be necessary for the conversion to IFRS such as account structures, account codes and general ledger.

Internal control over financial reporting and disclosure

Although there is no requirement for management to perform assessment of the effectiveness of the Company's internal control over financial reporting, certain entity level, information technology, disclosure and business process controls may need to be reviewed and updated, if necessary, to reflect changes arising from the Company's conversion to IFRS. Where material changes are identified, these changes will be mapped and tested to ensure that no material deficiencies exist as a result of the Company's conversion to these new accounting standards under IFRS.

The Company's transition to IFRS will continue for the remainder of 2010 as well as employee training.

1.14 Financial Instruments and Other Instruments

The Company's financial instruments approximate their carrying values.

The Company classifies its financial instruments as follows:

- cash as held-for-trading, and
- accounts payable and accrued liabilities as other financial liabilities.

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 foreign exchange risk. The types of risk exposure and the way in which such exposure is managed are provided as follows.

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

(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. The Company limits exposure to credit risk through maintaining its cash with high-credit quality Canadian financial institutions.

(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 attempts to ensure that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise equity financings. The Company will require significant additional funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests in 2010.

Accounts payable and accrued liabilities are due within each operating period.

(c) Market risk:

The significant market risk exposure to which the Company is exposed is foreign exchange risk.

Foreign exchange risk:

The Company's mineral properties and a portion of its operations are in Mexico, and would subject it to foreign currency fluctuations. Fluctuations in the Mexican peso would impact the earnings (losses) of the Company and the values of its assets and liabilities as its financial statements are stated in Canadian dollars. The Canadian dollar fluctuates and floats with the Mexican peso.

At June 30, 2010, the Company is exposed to foreign exchange risk for its Canadian dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars as follows:

	Held in Mexican Pesos (stated in Canadian dollars)
Cash	$ 40,454
Accounts payable and accrued liabilities	(356,204)
Net financial liabilities	$ (315,750)

(Stated in Canadian dollars)

Based upon the above net exposure as at June 30, 2010 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 $31,575 in the Company's net losses.

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

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 interim consolidated financial statements for the six months ended June 30, 2010 and its audited consolidated financial statements for the years ended December 31, 2009 and 2008.

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, 2010 are as follows:

	Number of Shares	Amount
Balance at December 31, 2009	23,049,423	$ 2,174,964
Issued:		
Private placement, net of share issue cost	2,830,501	657,067
Exercise of warrants	1,300,000	156,000
Balance at June 30, 2010	27,179,924	$ 2,988,031

At August 20, 2010, there were 27,179,924 common shares issued and outstanding.

At June 30, 2010, the Company had outstanding warrants to purchase an aggregate of 4,125,251 common shares as follows:

(Stated in Canadian dollars)

Exercise Prices	Expiry Dates	Outstanding at December 31, 2009	Issued	Exercised	Expired	Outstanding at June 30, 2010
$0.12	January 31, 2010	1,400,000	-	(1,300,000)	(100,000)	-
$0.35	March 30, 2011 (1)	2,310,000	-	-	-	2,310,000
$0.30	April 2, 2012	400,000	-	-	-	400,000
$0.35	October 31, 2011	-	1,415,251	-	-	1,415,251
		4,110,000	1,415,251	(1,300,000)	(100,000)	4,125,251

(1) In March 2010, the original expiry date of March 30, 2010 was extended to March 30, 2011.

At August 20, 2010, warrants for 4,125,251 common shares remain outstanding.

On June 21, 2010, the Company granted options to purchase an aggregate of 2,430,000 common shares at a price of $0.35 per share for a period expiring on the fifth anniversary of the date on which the common shares of the Company are first listed and called for trading on the TSX Venture Exchange. The stock options are subject to a vesting provision in which 20% vest on the listing date and an additional 20% vest every 6 months thereafter. As at June 30, 2010 and August 20, 2010, stock options for 2,430,000 common shares were outstanding but no stock options have vested.

1.16 Outlook

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 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 property interests.

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 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 mineral property interests, 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 property interests 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 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 mineral property interests 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.