



CAZA GOLD CORP.

Consolidated Financial Statements

(stated in Canadian dollars)

Years ended December 31, 2012 and 2011

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CAZA GOLD CORP.

We have audited the accompanying consolidated financial statements of Caza Gold Corp., which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of comprehensive loss, shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Caza Gold Corp. as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

"SmytheRatcliffe LLP" (signed)

Chartered Accountants
Vancouver, British Columbia
April 24, 2013

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Financial Position

(Stated in Canadian dollars)

		December 31,	
	Notes	2012	2011
ASSETS			
Current Assets			
Cash		\$ 448,262	\$ 4,747,814
Receivables and prepaids	8(b)(i)	174,232	309,947
Total Current Assets		622,494	5,057,761
Non-Current Assets			
Mineral property interests	6 and 9	6,682,166	3,711,360
Equipment	7	42,174	54,979
Total Non-Current Assets		6,724,340	3,766,339
Total Assets		\$ 7,346,834	\$ 8,824,100
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	9	\$ 563,779	\$ 268,183
Shareholders' Equity			
Share capital	8(b)	15,533,320	15,129,181
Obligation to issue shares	6(c) and 8(b)(i)	-	151,596
Reserve for share-based payments		1,205,444	975,250
Deficit		(9,955,709)	(7,700,110)
Total Shareholders' Equity		6,783,055	8,555,917
Total Liabilities and Shareholders' Equity		\$ 7,346,834	\$ 8,824,100

Approved on behalf of the Board:

/s/ *Bradford Cooke*

Director

/s/ *Anthony Hawkshaw*

Director

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Comprehensive Loss

(Stated in Canadian dollars)

	Notes	Years ended December 31,	
		2012	2011
Expenses:			
Accounting and audit		\$ 57,715	\$ 40,770
Amortization		17,833	10,401
Employee and director remuneration	9	468,163	453,266
Legal	9	65,011	68,306
Office and sundry	9	251,191	221,881
Property investigation	9 and 10	760,782	326,760
Regulatory		95,396	68,939
Shareholder relations		197,191	377,599
Share-based payments	8(c) and 9	343,057	686,292
		(2,256,339)	(2,254,214)
Foreign exchange loss		(52,970)	(62,583)
Interest income		11,179	2,926
Write-off of value-added tax receivables		(69,267)	(189,971)
Write-off of mineral property interests	6(a)	(1,065)	(1,291,915)
Net loss and comprehensive loss for the year		\$ (2,368,462)	\$ (3,795,757)
Basic and diluted loss per share		\$ (0.04)	\$ (0.07)
Weighted average number of common shares outstanding		56,650,436	51,903,797

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Shareholders' Equity

(Stated in Canadian dollars)

	Notes	Share Capital		Reserve for Share-Based Payments	Obligation to Issue Shares	Deficit	Total
		Number of Shares	Amount				
Balance, December 31, 2010		36,277,612	\$ 5,742,727	\$ 535,636	\$ -	\$ (3,913,645)	\$ 2,364,718
Private placement, net of share issue costs	8(b)(ii)	16,475,000	7,885,193	-	-	-	7,885,193
Property acquisition	6(c), 8(b)(ii)	450,000	274,500	-	-	-	274,500
Exercise of stock options		9,000	5,596	(2,446)	-	-	3,150
Exercise of warrants		564,584	197,604	-	-	-	197,604
Exercise of modified warrants		1,970,000	890,332	(200,832)	-	-	689,500
Exercise of finders fee warrants		283,204	149,872	(50,751)	-	-	99,121
Share-based payments		-	-	686,292	-	-	686,292
Expiry of stock options		-	-	(9,292)	-	9,292	-
Fair value of finders fee warrants		-	(16,643)	16,643	-	-	-
Obligation to issue shares		-	-	-	151,596	-	151,596
Net loss for the year		-	-	-	-	(3,795,757)	(3,795,757)
Balance, December 31, 2011		56,029,400	15,129,181	975,250	151,596	(7,700,110)	8,555,917
Private placement, net of share issue costs		2,285,000	212,536	-	-	-	212,536
Property acquisition	6(c), 8(b)(i)	1,165,084	191,603	-	(151,596)	-	40,007
Share-based payments		-	-	343,057	-	-	343,057
Expiry of stock options		-	-	(35,452)	-	35,452	-
Expiry of finders fee warrants		-	-	(77,411)	-	77,411	-
Net loss for the year		-	-	-	-	(2,368,462)	(2,368,462)
Balance, December 31, 2012		59,479,484	\$ 15,533,320	\$ 1,205,444	\$ -	\$ (9,955,709)	\$ 6,783,055

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

(Stated in Canadian dollars)

	Years ended December 31,	
	2012	2011
Cash provided from (used for):		
Operations:		
Loss for the year	\$ (2,368,462)	\$ (3,795,757)
Items not involving cash:		
Amortization	17,833	10,401
Foreign exchange (gain) loss	(10,945)	8,608
Share-based payments	343,057	686,292
Write-off of value-added taxes receivable	69,267	189,971
Write-off of mineral property interests	-	1,291,915
	(1,949,250)	(1,608,570)
Changes in non-cash working capital items:		
Receivables and prepaids	91,448	(331,821)
Accounts payable and accrued liabilities	67,854	(11,188)
Cash used by operating activities	(1,789,948)	(1,951,579)
Financing:		
Issuance of common shares, net of share issue costs	187,536	7,885,192
Exercise of stock options	-	3,150
Exercise of warrants	-	986,225
Cash provided from financing activities	187,536	8,874,567
Investing:		
Mineral property interests, net of recoveries	(2,703,057)	(3,529,797)
Acquisition of equipment	(5,028)	(64,228)
Cash used by investing activities	(2,708,085)	(3,594,025)
Foreign exchange gain (loss) on cash held in foreign currency	10,945	(8,608)
(Decrease) increase in cash	(4,299,552)	3,320,355
Cash, beginning of year	4,747,814	1,427,459
Cash, end of year	\$ 448,262	\$ 4,747,814

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

(Stated in Canadian dollars)

		Years ended December 31,	
	Notes	2012	2011
Non-cash financing and investing activities:			
Accrual for mineral property interests		\$ 379,997	\$ 152,255
Issuance of common shares for mineral property interests	6(c), 8(b)(i)	40,007	274,500
Obligation to issue common shares for mineral property interests	6(c), 8(b)(i)	(151,596)	151,596
Fair values from the expiration of:			
Stock options		35,452	9,292
Finder's fee warrants		77,411	-
Interest paid		-	-
Income taxes paid		-	-

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

1. Nature and Continuance of Operations

Caza Gold Corp. (the “Company”) was incorporated on November 15, 2007 under the laws of British Columbia, Canada. The address of the Company’s registered office is #1040 – 999 West Hastings Street, Vancouver, BC, Canada, V6C 2W2.

The Company is in the mineral exploration business and has not yet determined whether its properties contain reserves. 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 reserves, the development of its properties, confirmation and maintenance of the Company’s interest in the underlying properties, the receipt of necessary permitting and upon future profitable production or proceeds from the disposition thereof.

The Company has no operating revenues, has incurred significant net losses of approximately \$2.4 million (2011 - \$3.8 million), and has a deficit of approximately \$10.0 million as at December 31, 2012 (December 31, 2011 - \$7.7 million). Furthermore, the Company has working capital of approximately \$58,715 as at December 31, 2012 (December 31, 2011 - \$4.8 million). 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 debt or equity financings, and the attainment of profitable operations. Management would need 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. Basis of Presentation

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

(b) Approval of consolidated financial statements:

These consolidated financial statements were approved by the Company’s Board of Directors on April 24, 2013.

(c) Basis of presentation:

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments which are measured at fair value, as disclosed in Note 5.

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

2. Basis of Presentation (continued)

(d) Functional currency and presentation currency:

The functional and presentation 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 exchange rate at the consolidated statement of financial position date;
- non-monetary assets and liabilities at historical exchange rates, unless such items are carried at market, in which case they are translated at the exchange rate in effect on the consolidated statement of financial position date; and
- revenue and expense items at the rate of exchange in effect on the transaction date.

Exchange gains and losses are recorded in the consolidated statements of comprehensive loss in the period in which they occur.

(e) Critical accounting estimates:

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements along with the reported amounts of revenues and expenses during the period. Actual results may differ from these estimates and, as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests; the determination of accrued liabilities; accrued site remediation; the variables used in the determination of the fair values of stock options granted, finders' fee warrants issued and warrants modified; and the recoverability of deferred tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future financial performance and cash flows.

The Company applies judgment in assessing the functional currency of each entity consolidated in these consolidated financial statements.

The Company applies judgment in assessing whether material uncertainties exist that would cast significant doubt as to whether the Company could continue as a going concern.

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements:

The Company has reviewed new and amended accounting pronouncements that have been issued by the IASB but are not yet effective. All of the new and revised standards described below may be early adopted.

(i) IAS 27 *Separate Financial Statements* (2011) (“IAS 27”)

This amended version of IAS 27 now only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 *Consolidated and Separate Financial Statements*. Requirements for consolidated financial statements are now contained in IFRS 10 *Consolidated Financial Statements*.

The standard is applicable to annual reporting periods beginning on or after January 1, 2013. If early-adopted, it must be adopted together with IFRS 10, IFRS 11, IFRS 12 and IAS 28 (2011).

(ii) IAS 28 *Investments in Associates and Joint Ventures* (2011) (“IAS 28”)

This standard supersedes IAS 28 *Investments in Associates* and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The standard defines “significant influence” and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

The standard is applicable to annual reporting periods beginning on or after January 1, 2013. If early-adopted, it must be adopted together with IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011).

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements: (continued)

(iii) IFRS 9 *Financial Instruments* (2009) (“IFRS 9 (2009)”)

IFRS 9 (2009) introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a “business model” test and a “cash flow characteristics” test are measured at amortized cost (the use of fair value is optional in some limited circumstances).
- Investments in equity instruments can be designated as “fair value through other comprehensive income” with only dividends being recognized in profit or loss.
- All other instruments (including all derivatives) are measured at fair value with changes recognized in the profit or loss.
- The concept of “embedded derivatives” does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

For annual periods beginning on or after January 1, 2015, the Company must adopt IFRS 9 (2010).

(iv) IFRS 9 *Financial Instruments* (2010) (“IFRS 9 (2010)”)

A revised version of IFRS 9 (2010) incorporates revised requirements for the classification and measurement of financial liabilities, and carries over the existing de-recognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*.

The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

The standard applies to annual periods beginning on or after January 1, 2015. This standard supersedes IFRS 9 (2009).

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements: (continued)

(v) IFRS 10 *Consolidated Financial Statements* (“IFRS 10”)

The standard requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entities*.

The standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements.

The standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in “special purpose entities”). Under IFRS 10, control is based on whether an investor has power over the investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the returns.

The standard is applicable to annual reporting periods beginning on or after January 1, 2013. If early-adopted, it must be adopted together with IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

(vi) IFRS 11 *Joint Arrangements* (“IFRS 11”)

This standard replaces IAS 31 *Interests in Joint Ventures*, and requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

Joint arrangements are either joint operations or joint ventures:

- A **joint operation** is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognize their assets, liabilities, revenue and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly).
- A **joint venture** is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with IAS 28 *Investments in Associates and Joint Ventures* (2011). Unlike IAS 31, the use of “proportionate consolidation” to account for joint ventures is not permitted.

The standard is applicable to annual reporting periods beginning on or after January 1, 2013. If early-adopted, it must be adopted together with IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements: (continued)

(vii) IFRS 12 *Disclosure of Interests in Other Entities* (“IFRS 12”)

The standard requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

In high-level terms, the required disclosures are grouped into the following broad categories:

- **Significant judgments and assumptions** - such as how control, joint control, significant influence has been determined.
- **Interests in subsidiaries** - including details of the structure of the group, risks associated with structured entities, changes in control, and so on.
- **Interests in joint arrangements and associates** - the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarized financial information).
- **Interests in unconsolidated structured entities** - information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities.

IFRS 12 lists specific examples and additional disclosures which further expand upon each of these disclosure objectives, and includes other guidance on the extensive disclosures required.

The standard is applicable to annual reporting periods beginning on or after January 1, 2013. If early-adopted, it must be adopted together with IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011).

(viii) IFRS 13 *Fair Value Measurement* (“IFRS 13”)

The standard replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard.

This IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements: (continued)

(viii) IFRS 13 *Fair Value Measurement* (“IFRS 13”) (continued)

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a “fair value hierarchy” based on the nature of the inputs:

- **Level 1** - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- **Level 2** - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3** - unobservable inputs for the asset or liability.

Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g., whether it is recognized in the financial statements or merely disclosed) and the level in which it is classified.

The standard is applicable to annual reporting periods beginning on or after January 1, 2013.

(ix) Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7: *Financial Instruments: Disclosures*)

This amends the disclosure requirements in IFRS 7 to require information about all recognized financial instruments that are set off in accordance with paragraph 42 of IAS 32 *Financial Instruments: Presentation*.

The amendments also require disclosure of information about recognized financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32.

The amendment is applicable to annual periods beginning on or after January 1, 2013.

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements: (continued)

(x) Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Amends IAS 32 to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of “currently has a legally enforceable right of set-off”
- the application of simultaneous realization and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

The amendment is applicable to annual periods beginning on or after January 1, 2014.

(xi) Annual Improvements 2009-2011 Cycle

Makes amendments to the following standards:

- **IFRS 1** - Permit the repeated application of IFRS 1, borrowing costs on certain qualifying assets
- **IAS 1** – Clarification of the requirements of comparative information
- **IAS 16** – Classification of servicing equipment
- **IAS 32** – Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 *Income Taxes*
- **IAS 34** – Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 *Operating Segments*

The amendments are applicable to annual periods beginning on or after January 1, 2013.

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements: (continued)

(xii) Presentation of Items of Other Comprehensive Income (Amendments to IAS 1: *Presentation of Financial Statements*)

The amendments apply to IAS 1 to revise the way other comprehensive income is presented.

The amendments:

- Preserve the amendments made to IAS 1 in 2007 to require profit or loss and other comprehensive income to be presented together, i.e., either as a single “statement of profit or loss and comprehensive income”, or a separate “statement of profit or loss” and a “statement of comprehensive income” – rather than requiring a single continuous statement as was proposed in the exposure draft.
- Require entities to group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently, i.e., those that might be reclassified and those that will not be reclassified.
- Require tax associated with items presented before tax to be shown separately for each of the two groups of other comprehensive income items (without changing the option to present items of other comprehensive income either before tax or net of tax).

The amendments are applicable to annual reporting periods beginning on or after July 1, 2012.

(xiii) Consolidated Financial Statements, Joint Arrangements and Disclosures of Interest in Other Entities: Transition Guidance

Amends IFRS 10, IFRS 11, and IFRS 12 to provide additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

The amendment is applicable to annual periods beginning on or after January 1, 2013.

The Company has not yet assessed the impact of these standards and amendments.

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation:

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

All significant intercompany transactions and balances have been eliminated.

(b) Financial instruments:

(i) Financial assets:

The Company classifies its financial assets in the following categories: fair value through profit or loss (“FVTPL”), loans and receivables, held-to-maturity (“HTM”) and available-for-sale (“AFS”). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Financial assets at FVTPL

Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through profit or loss. Cash is included in this category of financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity dates. Loans and receivables are carried at amortized cost less any impairment. Loans and receivables comprise trade and other receivables.

Held to maturity

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company’s management has the positive intention and ability to hold to maturity. HTM investments are initially recognized on their trade-date at fair value, and subsequently measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statement of comprehensive loss. The Company does not have any assets classified as HTM investments.

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

3. Significant Accounting Policies (continued)

(b) Financial instruments: (continued)

(i) Financial assets: (continued)

Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity. AFS financial assets include investments in equities of other entities.

Management assesses the carrying value of AFS financial assets at each reporting date and any impairment charges are recognized in profit or loss. When financial assets classified as AFS are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit or loss.

(ii) Financial liabilities:

The Company classifies its financial liabilities in the following categories: FVTPL, other financial liabilities, and derivative financial liabilities.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are initially recognized at fair value with changes in fair value recorded through profit or loss. The Company has no financial liabilities at FVTPL.

Other financial liabilities

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include trade accounts payable and accrued liabilities.

Derivative financial liabilities

Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit or loss. Derivative financial liabilities include warrants issued by a company denominated in a currency other than the Company's functional currency.

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

3. Significant Accounting Policies (continued)

(b) Financial instruments: (continued)

(iii) Fair value hierarchy:

The Company categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

(iv) Impairment of financial assets:

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An evaluation is made as to whether a decline in fair value is “significant” or “prolonged” based on indicators such as significant adverse changes in the market, economic or legal environment.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

(v) Derecognition of financial assets and liabilities:

Financial assets are derecognized when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are recognized within other income and finance costs respectively.

(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.

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

3. Significant Accounting Policies (continued)

(c) Mineral property interests: (continued)

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.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of a property option agreement. As the property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable in the future are not recorded. Property 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 profit or loss.

(d) Equipment:

Equipment is recorded at cost. The Company calculates amortization using the declining balance method at rates varying from 10% to 30% annually.

(e) Proceeds on unit offerings:

Proceeds received on the issuance of units, consisting of common shares and warrants, are first allocated to the fair value of the common shares with any residual value then allocated to warrants.

(f) Non-monetary transactions:

Common shares issued for consideration other than cash are valued at their fair value at the date of issuance.

(g) Share-based payments:

The Company has a stock option plan that is described in Note 8(c). Share-based payments to employees are measured on the grant date using the Black-Scholes option pricing model and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to the reserve for share-based payments. Consideration received on the exercise of stock options is recorded as share capital and the related reserve for share-based payments is transferred to share capital. Upon expiry, the recorded fair value is transferred from the reserve for share-based payments to deficit.

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

3. Significant Accounting Policies (continued)

(h) Environmental rehabilitation:

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit and loss as incurred.

(i) Loss per share:

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. The treasury stock method is used to calculate diluted loss per common share amounts. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of the diluted per common share amount 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 common share presented is the same as basic loss per common share as the effect of outstanding share options and warrants would be anti-dilutive.

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

3. Significant Accounting Policies (continued)

(j) Provisions:

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(k) Income taxes:

The Company follows the asset and liability method for accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and losses carried forward. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent that recovery is considered probable.

4. 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 mineral properties contain reserves and currently has not earned any revenues from its mineral property interests and does not generate cash flows from operations. The Company's primary source of funds is from the issuance of share capital.

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.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

4. Management of Capital (continued)

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 raised funds in the past from the issuance of share capital, it is uncertain whether it would be able to continue this financing in the future. The Company will continue to rely on equity financings to meet its commitments as they become due, to continue exploration work on its mineral property interests, and to meet its administrative overhead costs for the coming periods.

As at December 31, 2012, the Company was not subject to any externally imposed capital requirements.

5. Financial Instruments and Management of Financial Risk

The Company has classified its cash as FVTPL; receivables as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

The fair values of the Company's receivables and accounts payable and accrued liabilities approximate their carrying values due to the short terms to maturity. Cash is measured at fair value using Level 1 inputs.

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 currency risk, interest rate risk and other price 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 on liquid financial assets through maintaining its cash with high-credit quality Canadian financial institutions. Non-contractual taxes receivables from government agencies are not considered financial instruments.

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

5. Financial Instruments and Management of Financial Risk (continued)

(b) Liquidity risk:

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

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and 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 2013.

Accounts payable and accrued liabilities are due in less than 90 days.

(c) Market risk:

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

(i) Foreign currency risk:

The Company's mineral property interests are in Mexico and Nicaragua, 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 losses of the Company and the values of its assets and liabilities as the Company's functional and presentation currency is the Canadian dollar. The Canadian dollar fluctuates and floats with the Mexican peso.

At December 31, 2012, the Company is exposed to currency 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	\$ 70,183
Receivables and prepaids	41,203
Accounts payable and accrued liabilities	<u>(196,255)</u>
Net financial assets (liabilities)	<u>\$ (84,869)</u>

Based upon the above net exposure as at December 31, 2012 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 \$8,487 in the Company's net losses.

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

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

5. Financial Instruments and Management of Financial Risk (continued)

(c) Market risk: (continued)

(ii) Interest rate risk:

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

At December 31, 2012, the Company had an investment of \$200,000 in a guaranteed investment certificate which bears interest at a 1.95% discount from the prime rate of 3% and which is redeemable at any time.

(iii) Other price risk:

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Company does not have any financial instruments which fluctuate with market prices.

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

6. Mineral Property Interests

	Year ended December 31, 2012								
	Mexico					Nicaragua			Total
	Moris	Santiago Fraction	El Relampago	Oaxaca	Tecolote	Los Andes	Other		
Acquisition Costs:									
Balance, December 31, 2011	\$ 103,428	\$ 29,977	\$ 81,033	\$ 30,946	\$ 52,058	\$ 589,998	\$ -	\$ 887,440	
Option payment	-	-	30,171	28,739	-	163,725	-	222,635	
Balance, December 31, 2012	103,428	29,977	111,204	59,685	52,058	753,723	-	1,110,075	
Deferred Exploration Expenditures:									
Balance, December 31, 2011	1,361,570	15,527	2,903	23,126	6,985	1,413,809	-	2,823,920	
Advances	-	-	-	-	-	(45,024)	-	(45,024)	
Aerial photos and mapping	5,918	-	-	511	-	52,107	1,203	59,739	
Assays and surveys	-	-	-	-	-	199,493	36,356	235,849	
Camp and field supplies	14,102	385	385	385	385	429,033	-	444,675	
Community and social	-	-	-	-	-	162,625	-	162,625	
Drilling	-	-	-	-	-	238,750	-	238,750	
Equipment and systems	532	-	-	-	-	8,527	-	9,059	
Environmental	-	-	-	-	-	39,923	-	39,923	
Geology	15,607	-	-	-	-	307,098	-	322,705	
Local labour	32,328	-	-	-	-	-	-	32,328	
Roads and drill pads	-	-	-	-	-	37,867	-	37,867	
Salaries and remuneration	160,709	-	-	-	-	455,975	-	616,684	
Sundry	13,397	-	-	-	-	133,142	-	146,539	
Surface taxes	51,221	-	628	8,611	11,165	60,363	-	131,988	
Transportation and travel	33,247	-	-	-	-	281,217	-	314,464	
Balance, December 31, 2012	1,688,631	15,912	3,916	32,633	18,535	3,774,905	37,559	5,572,091	
Mineral Property Interests:									
December 31, 2012	\$ 1,792,059	\$ 45,889	\$ 115,120	\$ 92,318	\$ 70,593	\$ 4,528,628	\$ 37,559	\$ 6,682,166	

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

6. Mineral Property Interests (continued)

	Year ended December 31, 2011								
	Mexico						Nicaragua		Total
	Santiago	Moris	Santiago Fraction	El Relampago	Oaxaca	Tecolote	Los Andes		
Acquisition Costs:									
Balance, December 31, 2010	\$ 197,834	\$ 103,428	\$ 29,977	\$ 47,647	\$ 18,957	\$ 52,058	\$ 44,757	\$ 494,658	
Option payment	97,282	-	-	33,386	11,989	-	545,241	687,898	
Write-off	(295,116)	-	-	-	-	-	-	(295,116)	
Balance, December 31, 2011	-	103,428	29,977	81,033	30,946	52,058	589,998	887,440	
Deferred Exploration Expenditures:									
Balance, December 31, 2010	219,902	175,326	11,729	2,128	15,015	4,292	16,833	445,225	
Advances	-	-	-	-	-	-	45,025	45,025	
Aerial photos and mapping	-	-	-	-	-	-	46,406	46,406	
Assays and surveys	50,600	105,945	-	-	-	-	170,111	326,656	
Camp and field supplies	-	-	-	-	-	-	92,043	92,043	
Drilling	144,980	506,443	-	-	-	-	-	651,423	
Equipment and systems	94,157	1,376	-	-	-	-	139,464	234,997	
Environmental	-	-	-	-	-	-	45,492	45,492	
Geochemistry	-	-	-	-	-	-	60,006	60,006	
Geology and consultants	207,163	303,733	-	-	-	-	526,731	1,037,627	
Local labour	67,884	82,805	-	-	-	-	4,933	155,622	
Roads and drill pads	111,648	-	-	-	-	-	27,399	139,047	
Sundry	37,427	33,483	3,798	-	-	-	117,524	192,232	
Surface taxes	1,034	62,891	-	586	8,111	2,693	8,871	84,186	
Travel and transportation	62,004	89,568	-	189	-	-	112,971	264,732	
Write-off	(996,799)	-	-	-	-	-	-	(996,799)	
Balance, December 31, 2011	-	1,361,570	15,527	2,903	23,126	6,985	1,413,809	2,823,920	
Mineral Property Interests:									
December 31, 2011	\$ -	\$ 1,464,998	\$ 45,504	\$ 83,936	\$ 54,072	\$ 59,043	\$ 2,003,807	\$ 3,711,360	

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

6. Mineral Property Interests (continued)

(a) Santiago (Mexico):

In May 2007, Minera Canarc entered into a property 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% net smelter return ("NSR").

In May 2009, April 2010 and then in April 2011, Minera Caza amended the property 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\$100,000 from May 2009 to October 2010 were made by the Company, with a remaining balance of US\$1.8 million payable over a 3 year period, and spending US\$200,000 on exploration over a 1 year period which the Company had incurred by the end of fiscal 2010. In 2011, the Company made property option payments totalling US\$100,000. The vendor continues to retain a 2% NSR.

The Company wrote-off the Santiago property at December 31, 2011.

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

(i) Moris and Santiago Fraction:

On September 24, 2009, the Company entered into a mineral properties sale and purchase agreement with Exmin Resources Inc. ("Exmin"). The Company acquired a 100% interest in the Moris and Santiago Fraction properties from Exmin for 400,000 common shares of the Company which were issued with a value of \$0.25 per share. 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 with Exmin are option to purchase agreements for the El Relampago, Oaxaca and Tecolote properties.

(ii) El Relampago:

On November 17, 2009, the Company amended the property 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\$30,000 were paid in 2012 (2011 - US\$30,000) in which the Company has earned a 100% interest in the property.

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

6. Mineral Property Interests (continued)

(b) Moris and Santiago Fraction, El Relampago, Oaxaca and Tecolote (Mexico): (continued)

(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.

On December 5, 2012, the Company amended the property option agreement whereby the Company can earn a 100% interest by making cash payments of US\$830,000 from December 2012 to January 2015.

Cash payments of US\$29,000 were paid in 2012 (2011 - US\$12,000).

(iv) Tecolote:

In 2010, the Company earned a 100% interest in the Tecolote property by making total cash payments of US\$50,000.

(c) Los Andes property (Nicaragua):

In December 2010, as amended in January 2011, the Company entered into a property option agreement with Inversiones Ecologicas S.A. ("Inecosa") to acquire a 100% interest in the Los Andes property by making US\$1.17 million in cash payments, issuing 1.5 million common shares and spending US\$2.97 million on exploration over a 4 year period. The Company also agreed to issue 150,000 common shares for the staking of additional properties to Inecosa in January 2011, and thereafter the Company shall issue that number of common shares equal to 1.6 multiplied by the number of hectares staked in the area of mutual interest as defined, subject to regulatory approvals. Inecosa retains a 2% NSR, and the Company has the right to reduce the NSR to 1% by paying US\$1 million and to acquire the remaining 1% NSR by paying an additional US\$2 million. At December 31, 2010, the Company accrued US\$45,000 which was due to Inecosa and which was paid in January 2011. On April 15, 2011, the Company issued 450,000 common shares at a value of \$0.61 per share to Inecosa. In December 2011, the Company paid US\$100,000, and at December 31, 2011 the Company recognized an obligation to issue 631,645 common shares, which were issuable for the Los Andes property and the staking of additional properties, at a value of \$0.24 per common share which were issued on January 17, 2012. In December 2012, the Company paid US\$125,000 and issued 533,439 common shares at a value of \$0.075 per share to Inecosa.

In April 2012, the controlling shareholder of Inecosa became a senior officer of the Company (Note 9).

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

6. Mineral Property Interests (continued)

(d) Mineral property commitments:

As at December 31, 2012, 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)	Number of Shares
Oaxaca (Note 6(b)(iii)):				
January 2013 to December 2014	\$ -	\$ 2,500	\$ -	-
January 2015	750,000	-	-	-
Los Andes (Notes 6(c) and 9):				
December 15, 2013	300,000	-	-	300,000
December 15, 2014	600,000	-	-	300,000
	\$ 1,650,000	\$ 2,500	\$ -	600,000

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

(e) Title to mineral property interests:

The Company has 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.

(f) Realization of assets:

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 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.

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

6. Mineral Property Interests (continued)

(g) Environmental matters:

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.

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 the 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.

7. Equipment

	Office Equipment	Field Equipment	Total
Cost:			
Balance, December 31, 2010	\$ 14,227	\$ -	\$ 14,227
Acquisitions	2,649	50,959	53,608
Balance, December 31, 2011	16,876	50,959	67,835
Acquisitions	5,028	-	5,028
Balance, December 31, 2012	21,904	50,959	72,863
Accumulated amortization:			
Balance, December 31, 2010	2,455	-	2,455
Amortization	1,538	8,863	10,401
Balance, December 31, 2011	3,993	8,863	12,856
Amortization	5,188	12,645	17,833
Balance, December 31, 2012	9,181	21,508	30,689
Net book value:			
Balance, December 31, 2011	\$ 12,883	\$ 42,096	\$ 54,979
Balance, December 31, 2012	\$ 12,723	\$ 29,451	\$ 42,174

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

8. Share Capital

(a) Authorized:

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

(b) Issued:

- (i) On January 17, 2012, the Company issued 631,645 common shares, which were issuable for the Los Andes property and the staking of additional properties, at a value of \$0.24 per common share (Notes 6(c) and 9).

On December 28, 2012, the Company closed a private placement for 2,285,000 units at \$0.10 per unit for gross proceeds of \$228,500 of which \$25,000 was on a delivery against payment basis in which funds were received in January 2013. 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 \$0.20 until December 28, 2014. Finder's fee of \$7,000 was paid.

On December 31, 2012, the Company issued 533,439 common shares, which were issuable for the Los Andes property and the staking of additional properties, at a value of \$0.075 per common share (Notes 6(c) and 9).

- (ii) On March 17, 2011, the Company closed a private placement for 16.3 million units at \$0.50 per unit for gross proceeds of \$8.15 million. Each unit was comprised of one common share and one-half of a whole common share purchase warrant; each full common share purchase warrant was exercisable to acquire one common share at \$0.70 until September 17, 2012, which expired unexercised. Finders' fees were comprised of \$193,725 in cash and 175,000 units with the same terms as the units in the private placement.

On April 15, 2011, the Company issued 450,000 common shares at a value of \$0.61 per share for the Los Andes property (Notes 6(c) and 9).

- (iii) Pursuant to the escrow agreement dated October 19, 2010, 1,912,727 shares of the Company were held in escrow (the "Escrowed Shares") at that time. The Escrowed Shares were subject to be released under the following schedule:

November 22, 2010	1/4 of the Escrow Shares
May 22, 2011	1/3 of the remaining Escrow Shares
November 22, 2011	1/2 of the remaining Escrow Shares
May 22, 2012	the remaining Escrow Shares

As at December 31, 2012, nil (December 31, 2011 - 478,181) common shares were held in escrow.

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

8. Share Capital (continued)

(c) Stock option plan:

The Company has a stock option plan that allows it to grant stock options to its directors, officers, employees and consultants, provided that the aggregate number of stock 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 stock option shall be based on the market price of the Company's shares as traded on the TSX Venture Exchange at the time of grant. Stock 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 stock options is made at the discretion of the Board at the time the stock options are granted.

The continuity of stock options for the years ended December 31, 2012 and 2011 is as follows:

	2012		2011	
	Number of Shares	Weighted average exercise price	Number of Shares	Weighted average exercise price
Outstanding balance, beginning of year	4,367,900	\$0.37	2,802,900	\$0.35
Granted	1,132,500	\$0.26	1,790,000	\$0.40
Exercised	-	-	(9,000)	\$0.35
Expired	(80,000)	\$0.57	(40,000)	\$0.35
Forfeited	(120,000)	\$0.57	(176,000)	\$0.35
Outstanding balance, end of year	5,300,400	\$0.34	4,367,900	\$0.37
Exercise price range	\$0.26 - \$0.42		\$0.35 - \$0.57	

The following table summarizes information about stock options outstanding and exercisable at December 31, 2012:

Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding at Dec 31, 2012	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices	Number Exercisable at Dec 31, 2012	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices
\$0.26	100,000	2.27	\$0.26	50,000	2.27	\$0.26
\$0.35	2,390,000	2.89	\$0.35	2,390,000	2.89	\$0.35
\$0.42	187,900	2.91	\$0.42	187,900	2.91	\$0.42
\$0.375	1,590,000	3.47	\$0.375	1,272,000	3.47	\$0.375
\$0.30	60,000	4.05	\$0.30	24,000	4.05	\$0.30
\$0.26	972,500	4.33	\$0.26	389,000	4.33	\$0.26
	5,300,400	3.33	\$0.34	4,312,900	3.19	\$0.35

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

8. Share Capital (continued)

(c) Stock option plan: (continued)

During the year ended December 31, 2012, the Company recognized share-based payments of \$343,057 (2011 - \$686,292) based on the fair value of stock options that were earned by the provision of services during the year. Share-based payments are segregated between directors and officers, employees and consultants as follows:

	2012	2011
Directors (exclude directors who are officers)	\$ 97,092	\$ 192,191
Officers (include directors who are officers)	180,766	369,024
Employees	62,321	69,961
Consultants	2,878	55,116
	\$ 343,057	\$ 686,292

The weighted average fair value of stock options granted and the weighted average assumptions used to calculate share-based payments for stock option grants are estimated using the Black-Scholes option pricing model as follows:

	2012	2011
Number of stock options granted	1,132,500	1,790,000
Fair value of stock options granted	\$0.19	\$0.28
Market price of shares on grant date	\$0.24	\$0.36
Expected forfeiture rate	0.00%	0.00%
Risk-free interest rate	1.51%	2.15%
Expected dividend yield	0%	0%
Expected stock price volatility	115.54%	107.97%
Expected option life in years	5	5

Expected stock price volatility is based on the historical price volatility of the Company's common shares.

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

8. Share Capital (continued)

(c) Stock option plan: (continued)

On January 17, 2012, the Company granted stock options to employees to purchase 60,000 common shares at an exercise price of \$0.30 and an expiry date of January 17, 2017. These stock options are subject to vesting provisions in which 20% of the stock options vest on the grant date and 20% vest every six months thereafter.

On April 10, 2012, the Company granted stock options to an employee to purchase 100,000 common shares at an exercise price of \$0.26 and an expiry date of April 10, 2015. These stock options are subject to vesting provisions in which 25% of the stock options vest three months from the grant date and 25% vest every three months thereafter.

On April 30, 2012, the Company granted stock options to directors, officers, employees and consultants to purchase 972,500 common shares at an exercise price of \$0.26 and an expiry date of April 30, 2017. These stock options are subject to vesting provisions in which 20% of the stock options vest on the grant date and 20% vest every six months thereafter.

(d) Warrants:

At December 31, 2012, the Company had outstanding warrants as follows:

Exercise Prices	Expiry Dates	Outstanding at December 31, 2011	Issued	Exercised	Expired	Outstanding at December 31, 2012
\$0.30	April 2, 2012	400,000	-	-	(400,000)	-
\$0.45	May 18, 2012	4,000,000	-	-	(4,000,000)	-
\$0.35	May 18, 2012	339,108	-	-	(339,108)	-
\$0.70	September 17, 2012	8,237,500	-	-	(8,237,500)	-
\$0.20	December 28, 2014	-	1,142,500	-	-	1,142,500
		12,976,608	1,142,500	-	(12,976,608)	1,142,500

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

8. Share Capital (continued)

(d) Warrants: (continued)

At December 31, 2011, the Company had outstanding warrants as follows:

Exercise Prices	Expiry Dates	Out standing at December 31, 2010	Issued	Exercised	Expired	Out standing at December 31, 2011
\$0.35	March 30, 2011	1,970,000	-	(1,970,000)	-	-
\$0.30	April 2, 2012	400,000	-	-	-	400,000
\$0.35	October 31, 2011	1,365,251	-	(564,584)	(800,667)	-
\$0.45	May 18, 2012	4,000,000	-	-	-	4,000,000
\$0.35	May 18, 2012	622,312	-	(283,204)	-	339,108
\$0.70	September 17, 2012	-	8,237,500	-	-	8,237,500
		8,357,563	8,237,500	(2,817,788)	(800,667)	12,976,608

Pursuant to the equity financings in fiscal 2011, the fair values of finders' fee warrants which were included as a reduction to share capital were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	Year ended December 31,	
	2012	2011
Number of finders' fee warrants issued	-	87,500
Fair value of finders' fee warrants issued	-	\$16,643
Risk-free interest rate	-	1.61%
Expected dividend yield	-	0%
Expected stock price volatility	-	108.04%
Expected life in years	-	1.5

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

8. Share Capital (continued)

(e) Common shares reserved for issuance at December 31, 2012:

	December 31, 2012
Stock options (Note 8(c))	5,300,400
Warrants (Note 8(d))	1,142,500
Common shares reserved for issuance	6,442,900

(f) Shareholder rights plan:

On June 12, 2012, the shareholders of the Company approved a shareholder rights plan (the "Plan"). The Plan is intended to ensure that any entity seeking to acquire control of the Company makes an offer that represents fair value to all shareholders and provides the board of directors with sufficient time to assess and evaluate the offer, to permit competing bids to emerge, and, as appropriate, to explore and develop alternatives to maximize value for shareholders. Under the Plan, each shareholder at the time of the Plan's adoption was issued one Right for each common share of the Company held. Each Right entitles the registered holder thereof, except for certain "Acquiring Persons" (as defined in the Plan), to purchase from treasury one common share at a 50% discount to the prevailing market price, subject to certain adjustments intended to prevent dilution. The Rights are exercisable after the occurrence of specified events set out in the Plan generally related to when a person, together with affiliated or associated persons, acquires, or makes a take-over bid to acquire, beneficial ownership of 20% or more of the outstanding common shares of the Company. The Rights expire in three years.

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

9. Related Party Transactions

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is disclosed in the table below.

Except as disclosed elsewhere in the consolidated financial statements, the Company had the following transactions with related parties:

	Years ended December 31,		Net balance receivable (payable)	
	2012	2011	as at December 31,	
			2012	2011
Key management compensation:				
Executive salaries and remuneration ⁽¹⁾	\$ 450,345	\$ 574,877	\$ (41,310)	\$ (13,996)
Directors fees	20,000	-	(20,000)	-
Share-based payments	269,800	315,792	-	-
	<u>\$ 740,145</u>	<u>\$ 890,669</u>	<u>\$ (61,310)</u>	<u>\$ (13,996)</u>
Mineral property expenditures incurred to Inecosa ⁽²⁾ :				
Acquisition costs:				
Property option payments	\$ 123,718	\$ -	\$ -	\$ -
Number of common shares issued	<u>533,439</u>	<u>-</u>		
Exploration expenditures incurred	<u>\$ 730,205</u>	<u>\$ -</u>	<u>\$ (29,185)</u>	<u>\$ -</u>
Legal fees incurred to a law firm in which a director of the Company is a partner ⁽³⁾	<u>\$ 71,754</u>	<u>\$ 117,369</u>	<u>\$ (22,079)</u>	<u>\$ (4,006)</u>
Net office, sundry, rent and salary allocations recovered from (incurred to) company(s) sharing certain common director(s)	<u>\$ (183,806)</u>	<u>\$ 195,161</u>	<u>\$ (14,262)</u>	<u>\$ (23,507)</u>

⁽¹⁾ Includes key management compensation which is included in mineral property interests and property investigation.

⁽²⁾ The controlling shareholder of Inecosa became a senior officer of the Company in April 2012. Exploration expenditures include those related to mineral property interests and property investigations. (Notes 6(c), 8(b)(i) and (ii), and 10).

⁽³⁾ Includes legal fees which are included in share issuance expenses.

The above transactions are incurred in the normal course of business.

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

10. Property Investigation

	Years ended December 31,	
	2012	2011
Property Investigation:		
Assays	\$ 52,869	\$ 30,785
Employee and management remuneration	439,193	74,834
Field supplies	24,811	1,321
Geologists	119,666	122,014
Local labour	12,186	6,417
Mapping and surveys	27,023	-
Office and sundry	16,532	34,910
Transportation and travel	68,502	56,479
	<u>\$ 760,782</u>	<u>\$ 326,760</u>

11. Segment Disclosures

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

	2012				2011			
	Canada	Mexico	Nicaragua	Total	Canada	Mexico	Nicaragua	Total
Mineral property interests	\$ -	\$ 2,115,979	\$ 4,566,187	\$ 6,682,166	\$ -	\$ 1,707,553	\$2,003,807	\$ 3,711,360
Equipment	3,881	38,293	-	42,174	5,544	49,435	-	54,979

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

12. Deferred Income Taxes

- (a) A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows:

	2012	2011
Loss for the year	\$ (2,368,462)	\$ (3,795,757)
Canadian statutory tax rate	25.0%	26.5%
Income tax benefit computed at statutory rates	(592,116)	(1,005,876)
Foreign tax rates different from statutory rates	(47,047)	(82,857)
Items non-deductible for income tax purposes	85,764	360,233
Effect of change in tax rate	(59,780)	71,014
Change in timing differences	30,815	(225,700)
Unused tax losses and tax offsets not recognized in tax asset	505,426	883,186
Impact of foreign exchange on tax assets and liabilities	76,938	-
	\$ -	\$ -

Effective January 1, 2012, the Canadian federal corporate tax rate is 15% and the British Columbia provincial tax rate is 10% for a total Canadian statutory tax rate of 25%.

In 2009, the Mexican government approved tax reform that includes a 2% increase in the income tax rate in Mexico from 28% to 30% for a three-year period starting in 2010.

- (b) The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income liabilities at December 31, 2012 and 2011 are presented below:

	December 31,	
	2012	2011
Deferred tax assets		
Non-capital losses carried forward	\$ 644,602	\$ 490,757
Deferred tax liabilities		
Book value over tax value of equipment	(9,808)	(1,386)
Book value over tax value of mineral property interests	(634,794)	(489,371)
Deferred tax liabilities	(644,602)	(490,757)
Net deferred tax assets	\$ -	\$ -

CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2012 and 2011

(Stated in Canadian dollars)

12. Deferred Income Taxes (continued)

- (c) The Company recognizes tax benefits on losses or other deductible amounts generated in countries where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	December 31,	
	2012	2011
Non-capital losses	\$ 7,751,811	\$ 6,134,249
Share issue costs	322,848	441,456
Tax value over book value of equipment	-	4,671
Unrecognized deferred tax assets	\$ 8,074,659	\$ 6,580,376

The Company's unrecognized unused non-capital losses have the following expiry dates:

	Canada	Mexico	Total
2017	\$ -	\$ 330,995	\$ 330,995
2018	-	529,990	529,990
2019	-	361,125	361,125
2020	-	497,593	497,593
2021	-	2,723,613	2,723,613
2022	-	950,099	950,099
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	27,623	-	27,623
2028	278,062	-	278,062
2029	467,363	-	467,363
2030	1,305,702	-	1,305,702
2031	1,593,807	-	1,593,807
2032	1,015,019	-	1,015,019
	\$ 4,687,576	\$ 5,393,415	\$ 10,080,991

HEAD OFFICE

#301 – 700 West Pender Street
Vancouver, BC, Canada, V6C 1G8

Telephone: (604) 685-9750

Facsimile: (604) 685-9744

DIRECTORS

Bradford Cooke
Greg Myers
Anthony Hawkshaw
Stewart Lockwood
Philip Yee

OFFICERS

Bradford Cooke ~ Chairman
Greg Myers ~ Chief Executive Officer and President
Marco Montecinos ~ Vice-President, Exploration
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