CAZA GOLD CORP.

Management Discussion and Analysis

(stated in Canadian dollars)

Year ended December 31, 2010

CAZA GOLD CORP.

(the "**Company**")

Management's Discussion and Analysis
For the Year Ended December 31, 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 audited consolidated financial statements for the years ended December 31, 2010and 2009, 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 April 28, 2011 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 and Nicaragua. 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, and Los Andes in Nicaragua.

Plan of Arrangement:

On June 25, 2008, the Company closed a Plan of Arrangement (the "Arrangement") with its previous parent company, Canarc Resource Corp. ("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.

Prospectus for Listing on the TSX Venture Exchange:

In August 2010, the Company had 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") for gross proceeds of up to $2.8 million. The Company had also applied for a listing (the "Listing") on the TSX Venture Exchange (the "TSXV") of its common shares and the Listing of the underlying warrants included in the units of the Offering (the "Warrants"). The Offering and the Listing were subject to final receipt and acceptance of the prospectus by the Securities Commissions, and were subject to the completion of the Offering and meeting the initial listing requirements of the TSXV. In October 2010, the Company received final receipt of its long form prospectus from the Securities Commission, and in November 2010 received approval from the TSXV for the Listing of its common shares and the Warrants. The Offering closed on November 18, 2010 for 8,000,000 units for gross proceeds of $2.8 million, and the Company's common shares and underlying warrants in the Offering were listed for trading on the TSXV was on November 22, 2010 (the "Listing Date").

The Company had engaged Canaccord Genuity Corp. as the Agent for the Offering. Each unit was comprised of one common share and one-half of a whole share purchase warrant. Each warrant is exercisable to purchase one common share at an exercise price of $0.45 per share and with an expiry date of May 18, 2012. 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 paid $224,000 to the Agent as the cash commission which is equal to 8% of the gross proceeds from the Offering. The Company issued to the Agent non-transferable share purchase warrants to acquire up to 640,000 common shares of the Company which is equal to 8% of the number of units sold pursuant to the Offering exercisable at an exercise price of $0.35 per share and with an expiry date of May 18, 2012. The Company also paid $30,000 to the Agent as a corporate finance fee related to the Offering and $33,571 to the Agent for expenses in connection with the Offering, including legal expenses and the Agent's 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.

Los Arrastres property

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 and then in June 2010, accrued an additional US$100,000.

On September 30, 2010, the Company, Minera Canarc and the vendor of the Los Arrastres property entered into a debt settlement agreement whereby the vendor agreed to accept US$80,000 in cash which was paid in October 2010 and 690,000 common shares of the Company which were issued in September 2010 at a value of $0.2605 (US$0.25) per common share in full settlement of outstanding cash payments of US$175,000 plus surface taxes of approximately $85,000 related to the Los Arrastres property. This resulted in the recognition of a net write-off of mineral property interests of $95,969.

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% 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$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 4 year period, and spending US$200,000 on exploration over a 1 year period which the Company did incur by the end of fiscal 2010. 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 fiscal 2009 and US$30,000 in fiscal 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$12,000 in fiscal 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. Cash payments of US$20,000 were paid in April 2010, US$15,000 in July 2010 and then US$15,000 in September 2010.

Los Andes property

In December 2010 as amended in January 2011, the Company entered into an option agreement 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 the vendors 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. The vendor will retain 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 US$2 million. At December 31, 2010, the Company accrued US$45,000 which was due to the vendor and which was subsequently paid in January 2011. In April 2011, 450,000 common shares were issued to the vendors.

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. 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 2,415,000 common shares at an exercise 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.

On November 30, 2010, the Company granted options to purchase 200,000 common shares at an exercise price of $0.35 and an expiry date of November 30, 2015, and 187,900 common shares at an exercise price of $0.42 and an expiry date of November 30, 2015. These options are subject to vesting provisions in which 20% of the options vest immediately on the grant date and 20% vest every six months thereafter.

Other:

In January 2010, Mr. Greg Myers was appointed Chief Executive Officer and President of the Company. Mr. Bradford Cooke continues in his capacity as Chairman of the Board.

On February 8, 2010, warrants for 2,310,000 common shares and with an original expiry date of March 30, 2010 had the expiry date extended to March 30, 2011.

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.

In fiscal 2010, the Company received proceeds of $187,000 in demand loans from certain directors and officers of the Company. The demand loans bore an interest rate of 12% per annum and an early redemption bonus of 6% if the loans were repaid within six months from the Listing Date. The Company repaid the demand loans including interest of $2,766 and early redemption bonuses of $11,220 in November 2010.

In December 2010, the Company's common shares commenced trading on the Frankfurt Stock Exchange under the symbol CZ6.

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 is exercisable to acquire one common share at $0.70 until September 17, 2012.

1.3 Selected Annual Information

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

	Years ended December 31,		
	2010	2009	2008
Total revenues	$ -	$ -	$ -
Loss before discontinued operations and extraordinary items:			
(i) Total	$ (1,766,311)	$ (531,450)	$ (897,968)
(ii) Basic loss per share	$ (0.06)	$ (0.02)	$ (0.09)
(iii) Fully diluted loss per share	$ (0.06)	$ (0.02)	$ (0.09)
Net loss:			
(i) Total	$ (1,766,311)	$ (531,450)	$ (897,968)
(ii) Basic loss per share	$ (0.06)	$ (0.02)	$ (0.09)
(iii) Fully diluted loss per share	$ (0.06)	$ (0.02)	$ (0.09)
Total assets	$ 2,547,211	$ 739,623	$ 740,404
Total long-term liabilities	$ -	$ -	$ -
Dividends per share	$ -	$ -	$ -

1.4 Results of Operations

Fourth Quarter of Fiscal 2010 – Year ended December 31, 2010 compared with December 31, 2009

The Company incurred a net loss of approximately $1.77 million for the year ended December 31, 2010, compared to the net loss of approximately $531,000 for the prior fiscal year ended December 31, 2009. The increase in net losses was attributable to a variety of reasons, most of which were incidental to the Company's initial public offering process which resulted in closing the Offering for 8 million units for gross proceeds of $2.8 million and listing on the TSXV. The incremental expenses for accounting and audit were for the review of the first two quarterly reports in fiscal 2010 and the prospectus, and legal and regulatory were for the initial public offering, preliminary and final prospectus, escrow agreement, warrant indenture for qualifying the underlying warrants in the units of the Offering for trading on the TSXV, TSXV listing of its common shares, TSXV listing fees, and debt settlement.

Operating expenses also increased due to the expansion of the Company's staff and its corporate finance and exploration activities. Employee remuneration increased from the appointment of new full time senior officers to management of the Company and related fees and additional staff allocations to the Company. In 2010, the increased expenditures, specifically for property investigation, reflect a concerted program of property evaluations in Mexico to identify exploration and acquisition targets. These costs were higher in fiscal 2010 than in fiscal 2009 as the Company's new management proceeded with initiatives in Mexico and Central America. Corporate development goals for 2010 required heightened ongoing efforts toward property investigations and project generation during the year which culminated in the option agreement to acquire a 100% interest in the Los Andes property in Nicaragua in December 2010 and the staking of 12 additional properties in Nicaragua in February 2011.

Further operating support and ancillary efforts were needed for the completion of the NI 43-101 technical report for the Company's Santiago property, equity financing which closed on April 30, 2010, and the Company's prospectus and listing application on the TSXV.

Following the closing of the Offering and the listing of its common shares on the TSXV, the Company initiated and implemented its plans and activities to raise the profile of the Company and the status and progress of its Mexican projects, thereby contributing to its increased expenses incurred for shareholder relations in fiscal 2010 especially in the fourth quarter. Sequentially, the listing of its common shares on the Frankfurt Stock Exchange in December 2010 was also of premier importance for the Company to create greater exposure in Europe.

Stock-based compensation is from the granting and vesting of stock options. On June 21, 2010, the Company granted options to purchase an aggregate of 2,415,000 common shares at an exercise price of $0.35 per share for a period expiring on November 22, 2015. These stock options are subject to vesting provisions in which 20% of the options vest on November 22, 2010 and 20% vest every six months thereafter. On November 30, 2010, the Company granted additional options to purchase 200,000 common shares at an exercise price of $0.35 and an expiry date of November 30, 2015, and 187,900 common shares at an exercise price of $0.42 and an expiry date of November 30, 2015. These stock options are subject to vesting provisions in which 20% of the options vest immediately on the grant date and 20% vest every six months thereafter. No stock options were granted in prior fiscal years.

Any modifications to the 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 modified warrants for the extension in the expiry date was $235,493 which did not impact net losses in 2010, but was recognized to deficit.

In the second quarter of fiscal 2010, 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 had been accrued in that quarter. On September 30, 2010, the Company, Minera Canarc and the vendor of the Los Arrastres property entered into a debt settlement agreement whereby the vendor agreed to accept US$80,000 in cash which was paid in October 2010 and 690,000 common shares of the Company which were issued in September 2010 at a value of $0.2605 (US$0.25) per common share in full settlement of outstanding cash payments of US$175,000 plus surface taxes of approximately $85,000 related to the Los Arrastres property.

The Company also wrote-off value added tax receivables of $167,666 related to its operations in Mexico, given the ongoing difficulties in collecting such receivables. In spite of the write-off, the Company will continue with its efforts in pursuing their collectability from the Mexican tax authorities.

The foreign exchange loss is conducive of the Canadian dollar which strengthened relative to the Mexican peso for the Company's Mexican subsidiaries during the year.

The Company has no sources of operating revenues.

As at December 31, 2010, the Company has mineral property interests which are comprised of the following:

	December 31, 2010							
	Mexico						Nicaragua	
	Santiago	Moris	Santiago Fraction	El Relampago	Oaxaca	Tecolote	Los Andes	Total
Acquisition Costs:								
Balance, beginning of year	$ 116,058	$ 102,612	$ 29,977	$ 16,602	$ 6,637	$ 27,579	$ -	$ 299,465
Option payment	81,776	816	-	31,045	12,320	24,479	44,757	195,193
Balance, end of year	197,834	103,428	29,977	47,647	18,957	52,058	44,757	494,658
Deferred Exploration Expenditures:								
Balance, beginning of year	109,123	40,633	3,515	1,489	5,686	799	-	161,245
Assays and surveys	(6,143)	4,294	-	-	-	-	5,610	3,761
Geology and consultants	57,556	46,247	4,486	-	-	1,101	10,906	120,296
Local labour & field supplies	7,098	2,174	-	-	-	-	-	9,272
Roads and drill pads	17,129	-	-	-	-	-	-	17,129
Sundry	15,878	1,524	2,435	-	-	890	-	20,727
Surface taxes	575	64,946	-	639	9,329	1,486	-	76,975
Travel and transportation	18,686	15,508	1,293	-	-	16	317	35,820
Balance, end of year	219,902	175,326	11,729	2,128	15,015	4,292	16,833	445,225
Mineral property interests, end of year	$ 417,736	$ 278,754	$ 41,706	$ 49,775	$ 33,972	$ 56,350	$ 61,590	$ 939,883

As at December 31, 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)	Shares
Santiago:				
June 5, 2011	$ 100,000	$ -	$ -	-
June 5, 2012	120,000	-	-	-
June 5, 2013	1,580,000	-	-	-
El Relampago:				
May 18, 2011	15,000	-	-	-
November 18, 2011	15,000	-	-	-
May 18, 2012	15,000	-	-	-
November 18, 2012	15,000	-	-	-
Oaxaca:				
January 1, 2011 to June 2014	-	1,000	-	-
July 2014	726,000	-	-	-
Los Andes:				
December 21, 2010 (1)	45,000	-	-	-
April 6, 2011 (2)	-	-	-	300,000
December 15, 2011	100,000	-	353,289	300,000
December 15, 2012	125,000	-	600,000	300,000
December 15, 2013	300,000	-	800,000	300,000
December 15, 2014	600,000	-	1,200,000	300,000
	$ 3,756,000	$ 1,000	$ 2,953,289	1,500,000

(1) The cash payment of US$45,000 was made in January 2011.
(2) The Company issued 300,000 common shares in April 2011.

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, December 31, 2010:

	2010				2009			
	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31
Total revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loss before discontinued discontinued operations and extraordinary items:								
(i) Total	$ (824,334)	$ (229,015)	$ (358,980)	$ (353,982)	$ (145,552)	$ (179,002)	$ (85,441)	$ (121,455)
(ii) Basic loss per share	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.02)	$ -	$ (0.01)	$ -	$ (0.01)
(iii) Fully diluted loss per share	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.02)	$ -	$ (0.01)	$ -	$ (0.01)
Net loss:								
(i) Total	$ (824,334)	$ (229,015)	$ (358,980)	$ (353,982)	$ (145,552)	$ (179,002)	$ (85,441)	$ (121,455)
(ii) Basic loss per share	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.02)	$ -	$ (0.01)	$ -	$ (0.01)
(iii) Fully diluted loss per share	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.02)	$ -	$ (0.01)	$ -	$ (0.01)
Total assets	$ 2,547,211	$ 1,150,152	$ 1,113,597	$ 1,083,451	$ 739,623	$ 588,606	$ 627,980	$ 645,476
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:

	December 31,		
	2010	2009	2008
Cash	$ 1,427,459	$ 122,410	$ 407,901
Working capital (deficiency)	1,413,063	(199,580)	293,498

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

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 fiscal 2010, the Company received proceeds of $187,000 in demand loans from certain directors and officers of the Company. The demand loans bore an interest rate of 12% per annum and an early redemption bonus of 6% if the loans were repaid within six months from the Listing Date. The Company repaid the demand loans including interest of $2,766 and early redemption bonuses of $11,220 in November 2010.

In August 2010, the Company had 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 for gross proceeds of up to $2.8 million. The Company had also applied for the Listing on the TSXV of its common shares and the Listing of the underlying warrants included in the units of the Offering (the "Warrants"). The Offering and the Listing were subject to final receipt and acceptance of the prospectus by the Securities Commissions, and were subject to the completion of the Offering and meeting the initial listing requirements of the TSXV. In October 2010, the Company received final receipt of its long form prospectus from the Securities Commission, and in November 2010 received approval from the TSXV for the Listing of its common shares and the Warrants. The Offering closed on November 18, 2010 for 8,000,000 units for gross proceeds of $2.8 million, and the Listing date on the TSXV was on November 22, 2010. The Company had engaged Canaccord Genuity Corp. as the Agent for the Offering. Each unit was comprised of one common share and one-half of a whole share purchase warrant. Each warrant is exercisable to purchase one common share at an exercise price of $0.45 per share and with an expiry date of May 18, 2012. 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 paid $224,000 to the Agent as the cash commission which is equal to 8% of the gross proceeds from the Offering. The Company issued to the Agent non-transferable share purchase warrants to acquire up to 640,000 common shares of the Company which is equal to 8% of the number of units sold pursuant to the Offering exercisable at an exercise price of $0.35 per share and with an expiry date of May 18, 2012. The Company also paid $30,000 to the Agent as a corporate finance fee related to the Offering and also paid $33,571 to the Agent for expenses in connection with the Offering, including legal expenses and the Agent's out-of-pocket expenses.

In fiscal 2010, proceeds of $298,691 were received from the exercise of warrants.

Cash resources were preserved in a shares-for-debt settlement whereby 690,000 common shares were issued in settlement of debt for $179,745 in September 2010.

The Company has a number of option agreements for mineral property interests that involve payments in the form of cash and/or common shares of the Company as well as minimum exploration expenditure requirements. Under Item 1.4, further details of contractual obligations are provided as at December 31, 2010. The Company will continue to rely upon equity financing as its principal source of financing its projects.

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 is exercisable to acquire one common share at $0.70 until September 17, 2012.

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

Except as disclosed elsewhere in the MD&A, related party transactions during the year ended December 31, 2010 include:

- $278,786 (2009 - $39,862) in legal fees to a law firm in which a director of the Company is a partner. As at December 31, 2010, the Company owed $9,387 (2009 - $56,014) to the law firm which is included in accounts payable and accrued liabilities; and
- $214,903 (2009 - $316,267) in office and sundry, rent and salary allocations from companies with one common director. As at December 31, 2010, the Company owed $13,288 (2009 - $46,807) to the companies which is 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.

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

Details of notes payables with related parties are provided in Item 1.6.

1.10 Fourth Quarter

Items 1.2, 1.4, 1.5 and 1.6 provide further details for the year ended December 31, 2010.

1.11 Proposed Transactions

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, recoverability of mineral properties, determination of reclamation obligations, valuation allowance for future income taxes, and assumptions used in determining the fair value of non-cash stock-based compensation and warrants using 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 mineral property interest 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 mineral property interest is subsequently determined to be uneconomic. The amounts shown for mineral property interests 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 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.

(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. There has been no impact from the adoption of these sections.

Transition issues from Canadian GAAP to IFRS:

The Company continues 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 remainder of fiscal 2010:

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. Ongoing and active exploration programs will also assist in the impairment test.
Stock-based compensation	Under Canadian GAAP, the fair values of stock options are recognized using the following: - straight line basis, or - graded basis. IFRS requires the latter alternative. IFRS also requires an estimation of forfeiture rates.	Options which are subject to vesting provisions have been treated as separate individual grants and vest each grant over the vesting period. The Company currently has adopted systems which allow for the determination of stock-based compensation under IFRS including the engagement of a third-party software system to assist in the valuation for the granting and vesting of stock

		options.
Units issuance in equity financings (eg. private placements and initial public offering)	Units in equity financings are comprised of shares and warrants. IFRS requires a value allocated to warrants in an equity financing based upon the relative fair value.	The Company currently has adopted systems which allow for the determination of the fair values of warrants in unit equity financings under IFRS including the engagement of a third-party software system to assist in the valuation of the underlying warrants in unit equity financings and any exercise of those underlying warrants.
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.	The fair value of the plan of arrangement shall be based upon the independent valuation report for the underlying Mexican exploration properties which was prepared pursuant to the plan of arrangement.

The Company continues to proceed with designing operational and business processes and systems to allow for the transition from Canadian GAAP to IFRS, and proceeds with the preparation and drafting of financial statements under IFRS.

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 continues as well as the drafting of IFRS compliant financial statements.

1.14 Financial Instruments and Other Instruments

The Company classifies its financial instruments as follows:

- cash as held-for-trading,
- receivables as loans and receivables, and
- accounts payable and accrued 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 currency risk. The types of risk exposure and the way in which such exposure is managed are provided as follows.

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 assets and liabilities included in level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. 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.

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

(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. Non-contractural taxes receivables from government agencies are not considered financial instruments.

(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 continues to rely on additional funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests.

Accounts payable and accrued liabilities are due in accordance with normal terms of trade and are payable in 2011.

(c) Market risk:

The significant market risk exposure to which the Company is exposed is foreign currency risk and interest rate risk.

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 Mexican peso would impact the earnings (losses) of the Company and the values of its assets and liabilities as the Company's reporting and functional currency is the Canadian dollar. The Canadian dollar fluctuates and floats with the Mexican peso.

At December 31, 2010, 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	$ 33,267
Receivables and prepaids	4,224
Accounts payable and accrued liabilities	(25,107)
Net financial assets	$ 12,384

Based upon the above net exposure as at December 31, 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 $1,238 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.

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 audited consolidated financial statements for the years ended December 31, 2010 and 2009.

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 year ended December 31, 2010 are as follows:

	Number of Shares	Amount
Balance at December 31, 2009	23,049,423	$ 2,174,964
Issued:		
Shares for debt	690,000	179,745
Initial public offering, net of share issue costs	8,000,000	2,390,955
Private placement, net of share issue cost	2,830,501	660,541
Exercise of warrants	1,707,688	336,522
Balance at December 31, 2010	36,277,612	$ 5,742,727

Pursuant to the escrow agreement dated October 19, 2010, 1,912,727 shares of the Company are held in escrow (the "Escrowed Shares"). The Escrowed Shares will be released under the following schedule:

On the Listing Date	1/4 of the Escrow Shares
6 months after the Listing Date	1/3 of the remaining Escrow Shares
12 months after the Listing Date	1/2 of the remaining Escrow Shares
18 months after the Listing Date	the remaining Escrow Shares

As at December 31, 2010, 1,434,545 common shares were held in escrow.

At April 28, 2011, there were 55,923,412 common shares issued and outstanding.

At December 31, 2010, the Company had outstanding stock options to purchase an aggregate 2,802,900 common shares as follows:

	December 31, 2010	
	Number of Shares	Weighted average exercise price
Outstanding, beginning of year	-	-
Granted	2,802,900	$0.35
Outstanding, end of year	2,802,900	$0.35
Exercise price range	$0.35 - $0.42	

At December 31, 2010, 2,802,900 options are outstanding of which 560,580 options are exercisable.

Subsequent to December 31, 2010, stock options for 9,000 common shares were exercised for gross proceeds of $3,150. At April 28, 2011, stock options for 2,577,900 common shares remain outstanding.

At December 31, 2010, the Company had outstanding warrants to purchase an aggregate of 8,357,563 common shares as follows:

Exercise Prices	Expiry Dates	Outstanding at December 31, 2009	Issued	Exercised	Expired	Outstanding at December 31, 2010
$0.12	January 31, 2010	1,400,000	-	(1,300,000)	(100,000)	-
$0.35	March 30, 2011 [1]	2,310,000	-	(340,000)	-	1,970,000
$0.30	April 2, 2012	400,000	-	-	-	400,000
$0.35	October 31, 2011	-	1,415,251	(50,000)	-	1,365,251
$0.45	May 18, 2012	-	4,000,000	-	-	4,000,000
$0.35	May 18, 2012	-	640,000	(17,688)	-	622,312
		4,110,000	6,055,251	(1,707,688)	(100,000)	8,357,563

[1] In March 2010, the original expiry date of March 30, 2010 was extended to March 30, 2011. These warrants were exercised.

Subsequent to December 31, 2010, warrants for 2,661,800 common shares were exercised for gross proceeds of $949,130. At April 28, 2011, warrants for 13,883,263 common shares remain outstanding.

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 or, if any, development activities or, if any, 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, exploration, 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 exploration or, if any, 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 exploration, or 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.

Possible Dilution to Current Shareholders based on Outstanding Options and Warrants

At December 31, 2010, the Company had 36,277,612 common shares and 2,802,900 share purchase options and 8,357,563 share purchase warrants outstanding. The resale of outstanding shares from the exercise of dilutive securities could have a depressing effect on the market for the Company's shares. At December 31, 2010, dilutive securities represented approximately 31% of the Company's issued shares. These dilutive securities were exercisable at prices below the December 31, 2010 closing market price of $0.62 for the Company's shares, which would accordingly result in dilution to existing shareholders if exercised.