



**CAZA GOLD CORP.**

**Consolidated Financial Statements**

**(stated in Canadian dollars)**

**Years ended December 31, 2014 and 2013**

**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, 2014 and 2013, and the consolidated statements of comprehensive loss, changes in 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, 2014 and 2013, 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.

*Smythe Ratcliffe LLP*

Chartered Accountants

Vancouver, British Columbia  
April 27, 2015

# CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Financial Position

(Stated in Canadian dollars)

		December 31,	
	Notes	2014	2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 3,087,528	\$ 1,585,758
Receivables and prepaids	11	159,279	77,955
Derivative asset	6	-	74,639
Total Current Assets		3,246,807	1,738,352
<b>Non-Current Assets</b>			
Mineral property interests	7 and 11	7,219,529	5,165,664
Equipment	8	3,647	8,682
Total Non-Current Assets		7,223,176	5,174,346
Total Assets		\$ 10,469,983	\$ 6,912,698
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	11	\$ 644,445	\$ 1,026,967
Demand loans payable	9(a)	-	204,603
Convertible promissory notes payable	9(b)	-	118,203
Total Liabilities		644,445	1,349,773
<b>Shareholders' Equity</b>			
Share capital	10(b)	21,782,282	17,773,987
Reserve for share-based payments		1,497,285	1,223,041
Deficit		(13,454,029)	(13,434,103)
Total Shareholders' Equity		9,825,538	5,562,925
Total Liabilities and Shareholders' Equity		\$ 10,469,983	\$ 6,912,698

Refer to the accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

/s/ Michael Humphries

Director

/s/ James Defer

Director

# CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Comprehensive Loss

(Stated in Canadian dollars)

	Notes	Years ended December 31,	
		2014	2013
<b>Expenses:</b>			
Accounting and audit		\$ 76,088	\$ 35,328
Amortization		5,035	9,343
Employee and director remuneration	11	317,080	468,903
Legal	11	82,241	23,910
Office and sundry	11	107,562	123,308
Property investigation	11 and 12	15,666	342,439
Regulatory		62,927	87,263
Shareholder relations		783	67,050
Share-based payments	10(c) and 11	144,512	50,301
<b>Loss before the undernoted</b>		<b>(811,894)</b>	<b>(1,207,845)</b>
Foreign exchange loss		(33,485)	(37,867)
Interest income		3,046	581
Interest and finance charges	9	(88,742)	(19,130)
Fair value change on derivative asset	6	(115,088)	74,639
Recovery (write-off) of receivables and value-added tax		228,660	(35,951)
Gain from disposition of equipment		-	5,551
Gain from debt settlement	11	119,854	-
Gain from settlement of demand loans	9	11,704	-
Write-off of mineral property interests, net of settlement	7(a)	(126,298)	(2,291,076)
<b>Net loss and comprehensive loss for the year</b>		<b>\$ (812,243)</b>	<b>\$ (3,511,098)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.02)</b>	<b>\$ (0.17)</b>
<b>Weighted average number of common shares outstanding</b>		<b>42,396,283</b>	<b>20,853,869</b>

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	Deficit	Total
		Number of Shares	Amount			
Balance, December 31, 2012		19,826,472	\$ 15,533,320	\$ 1,205,444	\$ (9,955,709)	\$ 6,783,055
Private placement, net of share issue costs	10(b)(iii), 14	20,833,333	2,240,667	-	-	2,240,667
Share-based payments		-	-	50,301	-	50,301
Expiry of stock options		-	-	(32,704)	32,704	-
Net loss for the year		-	-	-	(3,511,098)	(3,511,098)
Balance, December 31, 2013		40,659,805	17,773,987	1,223,041	(13,434,103)	5,562,925
Private placement, net of share issue costs	10(b)(ii)	88,160,000	3,450,440	881,600	-	4,332,040
Property acquisition	7(b)	7,249,300	296,598	-	-	296,598
Conversion of convertible promissory notes	9(b)	800,000	113,677	-	-	113,677
Shares-for-debt settlement	10(b)(ii)	1,874,500	149,960	-	-	149,960
Redemption of shareholders rights plan		-	(2,380)	-	-	(2,380)
Share-based payments		-	-	144,512	-	144,512
Expiry of stock options		-	-	(792,317)	792,317	-
Warrants issued upon conversion of debt		-	-	40,449	-	40,449
Net loss for the period		-	-	-	(812,243)	(812,243)
Balance, December 31, 2014		138,743,605	\$ 21,782,282	\$ 1,497,285	\$ (13,454,029)	\$ 9,825,538

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,	
	2014	2013
<b>Cash provided from (used by):</b>		
<b>Operations:</b>		
Loss for the year	\$ (812,243)	\$ (3,511,098)
Items not involving cash:		
Accrued interest	-	13,082
Amortization	5,035	9,343
Effective interest, net paid	21,031	-
Unrealized foreign exchange gain	(159,412)	(1,863)
Share-based payments	144,512	50,301
Fair value change on derivative asset	115,088	(74,639)
Gain from disposition of equipment	-	(5,551)
Gain on debt settlement	(119,854)	-
Gain on settlement of demand loans	(11,704)	-
(Recovery) write-off of receivables and value-added tax	(228,660)	35,951
Write-off of mineral property interests, net of settlement	126,298	2,291,076
	(919,909)	(1,193,398)
Changes in non-cash working capital items:		
Receivables and prepaids	(81,324)	35,326
Accounts payable and accrued liabilities	(174,670)	640,697
Cash used by operating activities	(1,175,903)	(517,375)
<b>Financing:</b>		
Proceeds from demand loans	658,260	200,000
Repayment of demand loans	(862,863)	-
Proceeds from convertible promissory notes, net of financing charges	-	109,724
Financing costs	(9,327)	-
Issuance of common shares and warrants, net of share issue costs	4,332,040	2,265,667
Redemption of shareholders' rights plan	(2,380)	-
Cash provided from financing activities	4,115,730	2,575,391
<b>Investing:</b>		
Mineral property interests, net of recoveries	(1,597,469)	(952,083)
Proceeds from disposition of equipment	-	29,700
Cash used by investing activities	(1,597,469)	(922,383)
<b>Unrealized foreign exchange gain on cash held in foreign currency</b>	<b>159,412</b>	<b>1,863</b>
<b>Increase in cash</b>	<b>1,501,770</b>	<b>1,137,496</b>
Cash, beginning of year	1,585,758	448,262
<b>Cash, end of year</b>	<b>\$ 3,087,528</b>	<b>\$ 1,585,758</b>

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)

		<b>Years ended December 31,</b>	
	Notes	<b>2014</b>	2013
<b>Non-cash financing and investing activities:</b>			
Accrual for mineral property interests		\$ <b>346,977</b>	\$ 202,488
Issuance of common shares for:			
Mineral property interests	7(b), 10(b)(ii)	<b>296,598</b>	-
Debt settlement	10(b)(ii), 11	<b>149,960</b>	-
Convertible promissory note	9	<b>113,677</b>	-
Delivery against payment for private placement	10(b)(iii)	-	25,000
Fair values from the expiration of:			
Stock options		<b>792,317</b>	32,704
Interest paid		<b>61,067</b>	6,049
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, 2014 and 2013

(Stated in Canadian dollars)

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## 1. Nature of Operations and Going Concern

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 \$812,200 for the year ended December 31, 2014 (2013 - \$3.5 million), and has a deficit of approximately \$13.5 million as at December 31, 2014 (2013 - \$13.4 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 matters indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. 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.

On December 13, 2013, the Company consolidated all of its issued and outstanding common shares on the basis of three (3) old common shares for one (1) new common share (Notes 10(b)(iii) and 14).

## 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 27, 2015.



# CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2014 and 2013

(Stated in Canadian dollars)

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## 2. Basis of Presentation (continued)

### (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.

### (d) Functional currency and presentation currency:

The functional and presentation currencies of the Company are 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 profit or 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 derivative assets, stock options granted, and warrants issued as finders' fees and from conversion of convertible loans; 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 and 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, 2014 and 2013

(Stated in Canadian dollars)

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## 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. All of the new and revised standards described below may be early adopted.

#### (i) IFRS 9 *Financial Instruments* (2014) (“IFRS 9”)

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a “fair value through other comprehensive income” category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment. The 2014 version of IFRS 9 introduces an “expected credit loss” model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 9 is applicable to annual periods beginning on or after January 1, 2018.

#### (ii) Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

Amends IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment;
- introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated; and
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

The amendments to IAS 16 and IAS 38 are applicable to annual periods beginning on or after July 1, 2016.

# CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2014 and 2013

(Stated in Canadian dollars)

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## 2. Basis of Presentation (continued)

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

#### (iii) Annual Improvements 2010-2012 Cycle

Makes amendments to the following standards:

- IFRS 2 — Amends the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”.
- IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.
- IFRS 8 — Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.
- IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).
- IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.
- IAS 24 — Clarify how payments to entities providing management services are to be disclosed.

The amendments are applicable to annual periods beginning on or after July 1, 2014.

#### (iv) Annual Improvements 2011-2013 Cycle

Makes amendments to the following standards:

- IFRS 1 — Clarify which versions of IFRS can be used on initial adoption (amends basis for conclusions only).
- IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52.
- IAS 40 — Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

These amendments are applicable to annual periods beginning on or after July 1, 2014.

# CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2014 and 2013

(Stated in Canadian dollars)

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## 2. Basis of Presentation (continued)

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

(v) Annual Improvements 2012-2014 Cycle

Makes amendments to the following standards:

- IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
- IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.
- IAS 9 — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
- IAS 34 — Clarify the meaning of “elsewhere in the interim report” and require a cross-reference.

The amendments are applicable to annual periods beginning on or after January 1, 2016.

## 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. (“Nicaza”).

All significant intercompany transactions and balances have been eliminated.

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or had rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

# CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2014 and 2013

(Stated in Canadian dollars)

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## 3. Significant Accounting Policies (continued)

### (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 include a derivative financial asset, and are initially recognized at fair value with changes in fair value recorded through profit or loss.

#### *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.

#### *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 profit or loss.

# CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2014 and 2013

(Stated in Canadian dollars)

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## 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 include derivative financial liabilities, and are initially recognized at fair value with changes in fair value recorded through profit or loss.

##### *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.

##### *Derivatives*

Derivatives 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. Derivatives include warrants 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, 2014 and 2013

(Stated in Canadian dollars)

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## 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 in profit or loss.

### (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, 2014 and 2013

(Stated in Canadian dollars)

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## 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) Convertible instruments:

The proceeds received on the issuance of the Company's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortized cost until extinguished on conversion or maturity of the debt. The remainder of the proceeds is allocated to the conversion option and is recognised in the "Convertible debt option reserve" within shareholders' equity.

If the convertible debt has a conversion feature that permits only the Company to demand conversion, then there is no equity component, and instead a derivative asset is recognized and measured at fair value. The allocation between the debt and derivative asset component is performed on a relative fair value basis. The derivative asset is subsequently measured at fair value with changes in fair value recognized in profit and loss.

### (f) 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.

### (g) Non-monetary transactions:

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



# CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2014 and 2013

(Stated in Canadian dollars)

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## 3. Significant Accounting Policies (continued)

### (h) Share-based payments:

The Company has a stock option plan that is described in Note 10(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.

### (i) Environmental rehabilitation:

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral property interests 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.

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## 3. Significant Accounting Policies (continued)

### (j) 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.

### (k) 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 consolidated 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.

## 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 sources of funds are from debt capital and the issuance of share capital.

The Company defines its capital as debt and 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.

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## 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 debt instruments and share capital, it is uncertain whether it would be able to continue this financing in the future. The Company will continue to rely on debt and 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, 2014, 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 and derivative asset component of convertible debt as FVTPL; receivables as loans and receivables; and accounts payable and accrued liabilities, demand loans payable and convertible promissory notes payable as other financial liabilities.

The fair values of the Company's receivables, accounts payable and accrued liabilities, demand loans payable and convertible promissory notes payable approximate their carrying values due to the short terms to maturity. Cash is measured at fair value using Level 1 inputs. The derivative asset component of the Company's convertible promissory notes is measured using Level 3 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 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.

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## 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 2015.

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 has certain cash and accounts payable stated in United States dollars, mineral property interests which are in Nicaragua and were previously in Mexico, and a portion of its operations are in Nicaragua and were in Mexico, resulting in expenditures subject to foreign currency fluctuations. Fluctuations in the United States dollar, Nicaraguan Cordoba and Mexican peso would impact the losses of the Company and the values of its assets and liabilities as the Company's functional and presentation currencies are the Canadian dollar. The Canadian dollar fluctuates and floats with the United States dollar, Nicaraguan Cordoba and Mexican peso.

At December 31, 2014 and 2013, the Company was exposed to currency risk for its Canadian dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars as follows:

	Stated in Canadian Dollars			
	Held in			Total
	United States Dollars	Mexican Pesos	Nicaraguan Cordoba	
Cash	\$ 2,792,668	\$ 11,281	\$ 43,589	\$ 2,847,538
Receivables and prepaids	-	51,769	1,255	53,024
Accounts payable and accrued liabilities	(57,680)	(308,735)	(19,513)	(385,928)
Net financial assets (liabilities), December 31, 2014	\$ 2,734,988	\$ (245,685)	\$ 25,331	\$ 2,514,634
Cash	\$ -	\$ 2,104	\$ -	\$ 2,104
Receivables and prepaids	-	43,593	-	43,593
Accounts payable and accrued liabilities	-	(486,237)	-	(486,237)
Net financial assets (liabilities), December 31, 2013	\$ -	\$ (440,540)	\$ -	\$ (440,540)

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

### (c) Market risk: (continued)

#### (i) Foreign currency risk: (continued)

Based upon the above net exposure as at December 31, 2014 and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar relative to the United States dollar, Nicaraguan Cordoba and the Mexican peso could result in a decrease/increase of approximately \$251,500 (2013 - \$44,100) 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.

#### (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. Interest rate risk is not significant to the Company as it has no cash equivalents at period-end. The Company's debt obligations owed for demand loans and convertible promissory notes, if any, bear fixed interest rates.

#### (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's financial instruments which fluctuate with market prices include derivative asset, if any, which is recognized when the market price of the Company's common shares is less than the conversion price of the convertible promissory notes (Note 6) and derivative liability, if any, which is payable in common shares of the Company (Note 9(a)).

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## 6. Derivative Asset

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Balance, December 31, 2012	\$	-
Add: Unrealized gain from derivative asset		74,639
Balance, December 31, 2013		74,639
Less: Unrealized loss from derivative asset		(74,639)
Balance, December 31, 2014	\$	-

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The Company recognized a derivative asset from the convertible promissory notes given the convertible promissory notes were convertible at the sole option of the Company (Note 9(b)). The market price of the common share was \$0.10 as at December 31, 2013 which is less than the conversion price of \$0.15, resulting in the recognition of a derivative asset. The fair value of the derivative asset was reduced by the liability attributable to the fair value of the warrants in the underlying units.

The convertible promissory notes were converted into units by the Company on March 11, 2014 on which date the market price of its common shares was \$0.16, resulting in the derecognition of the derivative asset; each unit was converted into one common share and one warrant. Upon conversion, the fair value of the net derivative asset (\$74,639) was de-recognized, and the value of the warrant arising from exercise of the unit was recorded in reserves (\$40,449), with the net change recognized in profit and loss (\$115,088).

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## 7. Mineral Property Interests

	Year ended December 31, 2014		
	Nicaragua		Total
	Los Andes	Other	
<b>Acquisition Costs:</b>			
Balance, December 31, 2013	\$ 1,071,573	\$ -	\$ 1,071,573
Option payment	300,536	-	300,536
Funds paid in trust	348,210	-	348,210
Staking	-	479	479
Balance, December 31, 2014	1,720,319	479	1,720,798
<b>Deferred Exploration Expenditures:</b>			
Balance, December 31, 2013	4,045,411	48,680	4,094,091
Advances	(2,044)	-	(2,044)
Aerial, photo and mapping	2,225	(141)	2,084
Assays and surveys	9,993	15,223	25,216
Camp and field supplies	8,948	-	8,948
Community and social	211,500	-	211,500
Drilling	245,356	4,790	250,146
Equipment and systems	263	-	263
Environmental	1,946	-	1,946
Geochemistry	26,704	-	26,704
Geology	36,323	-	36,323
Geophysics	12,985	-	12,985
Roads and access	9,191	-	9,191
Salaries and remuneration	510,391	34,754	545,145
Sundry	37,348	-	37,348
Surface taxes	110,380	(10,145)	100,235
Transportation and travel	138,432	218	138,650
Balance, December 31, 2014	5,405,352	93,379	5,498,731
<b>Mineral Property Interests:</b>			
December 31, 2013	\$ 5,116,984	\$ 48,680	\$ 5,165,664
December 31, 2014	\$ 7,125,671	\$ 93,858	\$ 7,219,529

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## 7. Mineral Property Interests (continued)

	Year ended December 31, 2013								Total
	Mexico					Nicaragua			
	Moris	Santiago Fraction	El Relampago	Oaxaca	Tecolote	Los Andes	Other		
<b>Acquisition Costs:</b>									
Balance, December 31, 2012	\$ 103,428	\$ 29,977	\$ 111,204	\$ 59,685	\$ 52,058	\$ 753,723	\$ -	\$ -	\$ 1,110,075
Option payment	-	-	-	30,853	-	317,850	-	-	348,703
Write-off	(103,428)	(29,977)	(111,204)	(90,538)	(52,058)	-	-	-	(387,205)
Balance, December 31, 2013	-	-	-	-	-	1,071,573	-	-	1,071,573
<b>Deferred Exploration Expenditures:</b>									
Balance, December 31, 2012	1,688,631	15,912	3,916	32,633	18,535	3,774,905	37,559	-	5,572,091
Advances	-	-	-	-	-	4,935	-	-	4,935
Aerial photos and mapping	-	-	-	485	-	-	-	-	485
Assays and surveys	-	-	-	-	-	430	975	-	1,405
Camp and field supplies	-	-	-	-	-	7,285	-	-	7,285
Community and social	-	-	-	-	-	2,706	-	-	2,706
Drilling	-	-	-	-	-	(44,771)	-	-	(44,771)
Equipment and systems	-	-	-	-	-	2,449	-	-	2,449
Environmental	-	-	-	-	-	13,093	-	-	13,093
Geology	-	-	-	-	-	(17,378)	-	-	(17,378)
Salaries and remuneration	35,431	-	-	-	-	198,050	-	-	233,481
Sundry	2,571	-	-	-	-	42,023	-	-	44,594
Surface taxes	89,440	-	705	10,819	3,241	43,175	10,146	-	157,526
Transportation and travel	1,552	-	-	-	-	18,509	-	-	20,061
Write-off	(1,817,625)	(15,912)	(4,621)	(43,937)	(21,776)	-	-	-	(1,903,871)
Balance, December 31, 2013	-	-	-	-	-	4,045,411	48,680	-	4,094,091
<b>Mineral Property Interests:</b>									
December 31, 2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,116,984	\$ 48,680	\$ -	\$ 5,165,664



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## 7. Mineral Property Interests (continued)

### (a) 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") in which the Company acquired a 100% interest in the Moris and Santiago Fraction properties. Exmin retained a 1% NSR which was capped at US\$1 million for the Moris properties and US\$0.5 million for the Santiago Fraction property. In 2013, the Company decided not to pursue any further exploration efforts on the properties and such properties were written off.

Underlying the mineral properties sale and purchase agreement with Exmin were option to purchase agreements for the El Relampago, Oaxaca and Tecolote properties which were written off in 2013.

#### (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. In 2012, the Company had earned a 100% interest in the property. In 2013, the Company wrote off the El Relampago property. In November 2014, the Company transferred all its rights to the El Relampago property to the property owner of the Oaxaca property (Note 7(a)(iii)).

#### (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.

In 2013, the Company wrote off the Oaxaca property but continued to incur cash obligations of US\$2,500 per month. As at December 31, 2013, the Company had accrued US\$20,000 in outstanding cash property option payments.

In November 2014, the Company entered into a Termination Agreement whereby the Company paid US\$11,000 and transferred all the Company's rights to the Oaxaca, El Relampago and certain claims in the Moris properties in full and complete settlement of all obligations owed by the Company to the property owner of the Oaxaca property.

#### (iv) Tecolote:

In 2010, the Company earned a 100% interest in the Tecolote property by making total cash payments of US\$50,000. In 2013, the Company wrote off the Tecolote property.

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## 7. Mineral Property Interests (continued)

### (b) 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 500,000 common shares and spending US\$2.97 million on exploration over a 4 year period. The Company also agreed to issue 50,000 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 0.53 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.

In April 2012, a shareholder who owns a 40% interest in Inecosa became a senior officer of the Company (Note 11).

The Company paid US\$300,000 in December 2013, and issued 189,300 common shares at a value of \$0.075 in February 2014.

In connection with the loan agreement and security interest referred to in Note 9(a), Inecosa acknowledged the security interest granted in favour of Polygon Mining Opportunity Master Fund (“Polygon”) pursuant to an acknowledgement dated July 31, 2014 and had made certain covenants in favor of Polygon thereunder. In December 2014, Polygon released and discharged its security interests against the Company.

In December 2014, the Company entered into a Purchase Agreement with Inecosa, which amended and superseded the prior property option agreement, to acquire a 100% interest in the Los Andes property. The Company issued 7.06 million common shares to Inecosa at a value of \$0.04 per share and paid US\$300,000 “in trust” to shareholders of Inecosa pending successful transfer of title of the Los Andes property to the Company. In the event that all transfers of title are not completed by December 18, 2015, the Company would, at its option, have the right to: (i) extend the date for the completion of the transfers; (ii) retain such properties as have been transferred together with any part of the final cash payment not yet paid to Inecosa and, subject to certain ongoing requirements, terminate the Purchase Agreement; or (iii) release to Inecosa's shareholders any part of the final cash payment not yet paid to them in conjunction with acquiring 100% of the shares of Inecosa at no additional cost and, subject to certain ongoing requirements, terminate the Purchase Agreement.

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## 7. Mineral Property Interests (continued)

### (c) Mineral property commitments:

As at December 31, 2014, 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:

	Acquisition Payments (US dollars)	Monthly Option Payments (US dollars)	Expenditure Commitments (US dollars)	Number of Shares
Los Andes (Note 7(b)):				
December 15, 2015 <sup>(1)</sup>	\$ 300,000	-	-	-
	\$ 300,000	\$ -	\$ -	-

<sup>(1)</sup> Such funds have been paid "in trust" for Inecosa, pending transfer of title (Note 7(b)).

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

### (d) 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.

### (e) 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.

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## 7. Mineral Property Interests (continued)

### (f) 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.

## 8. Equipment

	Office Equipment	Field Equipment	Total
<b>Cost:</b>			
Balance, December 31, 2012	\$ 21,904	\$ 50,959	\$ 72,863
Less: Dispositions	(1,534)	(45,444)	(46,978)
Balance, December 31, 2013	20,370	5,515	25,885
Adjustments	-	-	-
Balance, December 31, 2014	20,370	5,515	25,885
<b>Accumulated amortization:</b>			
Balance, December 31, 2012	9,181	21,508	30,689
Add: Amortization	4,773	4,570	9,343
Less: Dispositions	(650)	(22,179)	(22,829)
Balance, December 31, 2013	13,304	3,899	17,203
Add: Amortization	4,298	737	5,035
Balance, December 31, 2014	17,602	4,636	22,238
<b>Net book value:</b>			
Balance, December 31, 2013	\$ 7,066	\$ 1,616	\$ 8,682
Balance, December 31, 2014	\$ 2,768	\$ 879	\$ 3,647

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## 9. Loans

	Demand Notes Payable	Convertible Promissory Notes
Balance, December 31, 2012	\$ -	\$ -
Add:		
Proceeds from loans	200,000	121,058
Interest	10,652	8,479
Less:		
Issue costs	-	(11,334)
Interest payments	(6,049)	-
Balance, December 31, 2013	204,603	118,203
Proceeds from loan	658,260	-
Loan issuance costs	(9,327)	-
Obligation to issue loan bonus in common shares	(118,486)	-
Interest accrual	88,742	4,183
Interest paid	(69,615)	(8,709)
Foreign exchange	35,461	-
Loan balance on settlement date, December 30, 2014	789,638	113,677
Conversion of convertible promissory notes	-	(113,677)
Cash repayment amount	(896,420)	-
Gain (loss) on settlement	(106,782)	-
Gain on forgiveness of obligation to issue loan bonus in common shares	118,486	-
Net Gain on Settlement	\$ 11,704	\$ -

(a) Promissory Note:

In July 2013, the Company entered into a loan agreement with Polygon under which the Company borrowed \$200,000 at an interest rate of 12% per annum, compounded and payable quarterly. The loan and any accrued interest were repayable upon the earlier of January 22, 2015 or written demand for repayment after November 19, 2013. The Company had the option for early repayment whereby a minimum of 12 months interest compounded quarterly must be paid if the early repayment was made on or before July 22, 2014 and a minimum of 18 months interest compounded quarterly if early repayment after July 22, 2014 and prior to January 22, 2015. In connection with the loan, Polygon was granted a security interest in the Company's present and after-acquired personal property as well as a negative pledge over all of the Company's assets. In December 2014, the Company repaid the principal plus interest, and Polygon released and discharged its security interests against the Company.

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## 9. Loans (continued)

### (a) Promissory Note: (continued)

In August 2014, the Company entered into a loan agreement with Polygon under which the Company borrowed US\$600,000 at an interest rate of 12% per annum, compounded and payable each calendar quarter. The loan and any accrued interest were repayable upon the earlier of February 8, 2016 or written demand for repayment after August 8, 2015. The Company had the option for early repayment whereby a minimum of 12 months interest compounded quarterly must be paid if the early repayment was made on or before August 8, 2015 and a minimum of 18 months interest compounded quarterly if early repayment after August 8, 2015 and prior to February 8, 2016. As a bonus for the loan, the Company was to issue common shares to Polygon, subject to applicable approvals. The number of common shares was to equal 18% of the principal amount of the loan divided by the market price of the Company's common share on the date of the notice of the Company's next shareholders' meeting subject to a minimum price of \$0.08 per common share if required by the TSX Venture Exchange. The Company would have recorded a derivative liability in relation to its obligation to issue common shares to Polygon as a loan bonus, and would recognize gains and losses from such liability as the market price of its common shares fluctuated below \$0.08. In connection with the loan, Polygon was granted a security interest in the Company's present and after-acquired personal property including the property option agreement under which the Company has a contractual right to acquire a 100% interest in the Los Andes property (Note 7(b)). Inecosa provided acknowledgement of Polygon's security interest. Polygon also had a negative pledge over all of the Company's assets pursuant to the loan agreement. In December 2014, the Company repaid the principal plus interest, with Polygon waiving any make-whole interest from early redemption of the loan and the issuance of bonus shares. Polygon also released and discharged its security interests in the Company's present and after-acquired personal property and its negative pledge over the Company's assets.

### (b) Convertible Promissory Notes:

In August 2013, the Company arranged convertible promissory notes for \$121,058 of which \$35,000 were from certain current and former directors. The convertible notes bore an interest rate of 12% per annum compounded annually and payable every second quarter, and would mature on February 7, 2015. The Company may repay any portion of the convertible promissory note at any time without notice, bonus or penalty. The principal and accrued interest can be converted, at the sole option of the Company, into units of the Company with the principal at \$0.15 per unit for the first year and at \$0.30 per unit for the remaining 6 months, and accrued interest at market price per unit. Each unit was comprised of one common share and one common share purchase warrant; each warrant is exercisable to acquire one common share at \$0.30 per share until August 7, 2016. A finder's fee of \$4,000 was paid on the debt financing. As at December 31, 2013, interest of \$8,479 had been accrued. In February 2014, the Company paid interest of \$7,260. Then on March 11, 2014 the Company converted the promissory notes into 800,000 units and paid interest of \$1,450.

As the convertible promissory notes are compound financial instruments which are convertible at the Company's sole discretion into units, the instrument contains both a liability and a derivative asset. The liability, net of issue costs, was accreted using the effective interest rate method over the term of the convertible promissory notes. Note 6 provides further details.

# CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2014 and 2013

(Stated in Canadian dollars)

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## 10. 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) In April 2015, the Company issued 1.25 million common shares a value of \$0.03 per share which were issuable to a senior officer pursuant an employment agreement.

(ii) On February 3, 2014, the Company issued 189,300 common shares which were issuable for the Los Andes property and the staking of additional properties, at a value of \$0.075 per share (Note 7(b)).

On March 11, 2014, the Company converted the convertible promissory notes into 800,000 units, with each unit comprised of one common share and one share purchase warrant (Note 9(b)).

On August 25, 2014, the Company issued 1.87 million common shares at a value of \$0.08 to current and former senior officers pursuant to shares-for-debt settlements for \$149,960.

On December 30, 2014, the Company issued 7.06 million common shares to Inecosa at a value of \$0.04 per share pursuant to a Purchase Agreement to acquire a 100% interest in the Los Andes property (Note 7(b)).

Also on December 30, 2014, the Company closed a private placement with Polygon for 88.16 million units at \$0.05 per unit for gross proceeds of \$4.4 million. Each unit was comprised of one common share and one share purchase warrant which is exercisable to acquire one common share at an exercise price of \$0.05 until December 30, 2019; Polygon is a control person and related party, as defined, to the Company and had a 78.9% interest in the Company at that time. Of the \$0.05 unit price, \$0.04 was allotted to common shares representing the fair value of the common shares on that date and \$0.01 was allotted to warrants, resulting in a corresponding increase in the reserve for share-based payments.

(iii) In August 2013, the Company arranged convertible promissory notes for \$121,058 (Note 9(b)).

On December 13, 2013, the Company consolidated all of its issued and outstanding common shares on the basis of three (3) old common shares for one (1) new common share resulting in 19,826,472 new common shares issued and outstanding. The effect of the share consolidation has been retroactively adjusted within the consolidated financial statements unless otherwise noted.

Also on December 13, 2013, the Company closed a private placement with Polygon for 20.8 million units at \$0.12 per unit for gross proceeds of \$2.5 million. Each unit was comprised of one common share and one share purchase warrant which is exercisable to acquire one common share at an exercise price of \$0.24 until December 13, 2016, resulting in Polygon becoming a new control person of the Company at that time. Note 14 provides further details.

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Notes to the Consolidated Financial Statements

Years ended December 31, 2014 and 2013

(Stated in Canadian dollars)

## 10. 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 year ended December 31, 2014 and 2013 is as follows:

	2014		2013	
	Number of Shares	Weighted average exercise price	Number of Shares	Weighted average exercise price
Outstanding balance, beginning of period	1,677,971	\$1.03	1,766,804	\$1.02
Granted	2,815,000	\$0.14	-	-
Forfeited	(965,300)	\$0.47	(54,169)	\$0.88
Expired	(708,668)	\$1.02	(34,664)	\$0.80
Outstanding balance, end of period	2,819,003	\$0.33	1,677,971	\$1.03
Exercise price range	\$0.08 - \$1.26		\$0.78 - \$1.26	

The following table summarizes information about stock options outstanding and exercisable at December 31, 2014:

Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding at Dec 31, 2014	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices	Number Exercisable at Dec 31, 2014	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices
\$1.05	266,668	0.89	\$1.05	266,668	0.89	\$1.05
\$1.26	30,667	0.91	\$1.26	30,667	0.91	\$1.26
\$1.125	181,667	1.48	\$1.125	181,667	1.48	\$1.125
\$0.78	160,001	2.33	\$0.78	160,001	2.33	\$0.78
\$0.15	1,680,000	4.23	\$0.15	672,000	4.23	\$0.15
\$0.08	500,000	4.73	\$0.08	100,000	4.73	\$0.08
	2,819,003	3.68	\$0.33	1,411,003	2.99	\$0.54



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Notes to the Consolidated Financial Statements

Years ended December 31, 2014 and 2013

(Stated in Canadian dollars)

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## 10. Share Capital (continued)

### (c) Stock option plan: (continued)

During the year ended December 31, 2014, the Company recognized share-based payments of \$144,512 (2013 - \$50,301) based on the fair value of stock options that were earned by the provision of services during the period. Share-based payments are segregated between directors and officers, employees and consultants as follows:

	2014	2013
Directors (excludes directors who are officers)	\$ 19,470	\$ 11,742
Officers (includes directors who are officers)	104,313	48,095
Employees	10,481	2,154
Consultants	10,248	(11,690)
	<u>\$ 144,512</u>	<u>\$ 50,301</u>

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:

	2014	2013
Number of stock options granted	2,815,000	-
Fair value of stock options granted	\$0.09	n/a
Market price of shares on grant date	\$0.13	n/a
Pre-vest forfeiture rate	10.57%	n/a
Risk-free interest rate	1.31%	n/a
Expected dividend yield	0%	n/a
Expected stock price volatility	121.62%	n/a
Expected option life in years	3	n/a

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

On March 24, 2014, the Company granted stock options to purchase up to 2.32 million common shares at an exercise price of \$0.15 until March 24, 2019. Stock options for 2.16 million common shares are subject to vesting provisions in which 20% of the stock options vest immediately on the grant date and 20% vest every six months thereafter.

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(Stated in Canadian dollars)

## 10. Share Capital (continued)

### (c) Stock option plan: (continued)

On September 25, 2014, the Company granted stock options to purchase up to 500,000 common shares at an exercise price of \$0.08 until September 25, 2019. These stock options are subject to vesting provisions in which 20% of the stock options vest immediately on the grant date and 20% vest every six months thereafter.

### (d) Warrants:

At December 31, 2014, the Company had outstanding warrants as follows:

Exercise Prices	Expiry Dates	Outstanding at December 31, 2013	Issued	Exercised	Expired	Outstanding at December 31, 2014
\$0.60	December 28, 2014	380,834	-	-	(380,834)	-
\$0.24	December 13, 2016	20,833,333	-	-	-	20,833,333
\$0.30	August 7, 2016 <sup>(1)</sup>	-	800,000	-	-	800,000
\$0.05	December 30, 2019 <sup>(2)</sup>	-	88,160,000	-	-	88,160,000
		21,214,167	88,960,000	-	(380,834)	109,793,333

<sup>(1)</sup> Arose from conversion of convertible promissory note (Note 6). Fair value of \$40,449 was calculated using the Black-Scholes option pricing model with the following assumptions: volatility 139%, risk-free rate 1.123%, expected life 2.4 years, and expected dividend yield 0%.

<sup>(2)</sup> On December 30, 2014, the Company closed a private placement with Polygon for 88.16 million units at \$0.05 per unit for gross proceeds of \$4.4 million. Each unit was comprised of one common share and one share purchase warrant. Of the \$0.05 unit price, \$0.04 was allotted to common shares representing the fair value of the common shares on that date and \$0.01 was allotted to warrants, resulting in a corresponding increase in the reserve for share-based payments.

On March 11, 2014, the Company converted the convertible promissory notes into 800,000 units, with each unit comprised of one common share and one share purchase warrant (Note (9)(b)).

On December 30, 2014, the Company closed a private placement for 88.16 million units at \$0.05 per unit for gross proceeds of \$4.4 million. Each unit was comprised of one common share and one share purchase warrant which is exercisable to acquire one common share at an exercise price of \$0.05 until December 30, 2019 (Note (10)(b)(ii)).

# CAZA GOLD CORP.

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Notes to the Consolidated Financial Statements

Years ended December 31, 2014 and 2013

(Stated in Canadian dollars)

## 10. Share Capital (continued)

### (d) Warrants: (continued)

At December 31, 2013, the Company had outstanding warrants with opening balance adjusted for the 3-to-1 share consolidation, as follows:

Exercise Prices	Expiry Dates	Outstanding at December 31, 2012	Issued	Exercised	Expired	Outstanding at December 31, 2013
\$0.60	December 28, 2014	380,834	-	-	-	380,834
\$0.24	December 13, 2016	-	20,833,333	-	-	20,833,333
		380,834	20,833,333	-	-	21,214,167

### (e) Common shares reserved for issuance at December 31, 2014:

	Number of Shares
Stock options (Note 10(c))	2,819,003
Warrants (Note 10(d))	109,793,333
Common shares reserved for issuance	112,612,336

### (f) Shareholder rights plan:

On June 12, 2012, the shareholders of the Company approved a shareholder rights plan (the "Plan"). The Plan was intended to ensure that any entity seeking to acquire control of the Company made an offer that represented fair value to all shareholders and provided 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 entitled 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 were 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. The Company had authority to terminate or abandon the Plan if its Board of Directors determines such cancellation was in the best interest of the Company.

# CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2014 and 2013

(Stated in Canadian dollars)

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## 10. Share Capital (continued)

### (f) Shareholder rights plan: (continued)

In December 2014, the Company resolved to redeem all of the Rights issued and outstanding under the Company's Plan and otherwise effectively abandon the Plan. The Plan provided that the Company's Board may elect to redeem all, but not less than all, of the Rights at a redemption price of \$0.0003 per Right (the "Redemption Price") and/or terminate the Plan. The Company had no obligation to make any payment to any person in the event the aggregate amount owing to such person as a result of the redemption of Rights is less than \$15 (ownership of less than 50,000 shares). The effective date of the redemption was the close of business on December 2, 2014 (the "Redemption Date") as of which date the only right of qualifying holders of Rights was to receive the Redemption Price. The Company accrued \$2,380 in redemption commitments owed to shareholders as at December 31, 2014 which was paid in 2015.

# CAZA GOLD CORP.

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(Stated in Canadian dollars)

## 11. 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) as at December 31,	
	2014	2013	2014	2013
Key management compensation:				
Executive salaries and remuneration <sup>(1)</sup>	\$ 482,493	\$ 402,907	\$ (83,992)	\$ (232,249)
Directors fees <sup>(2)</sup>	43,563	40,196	(80,196)	(60,196)
Share-based payments	123,783	59,837	-	-
	<u>\$ 649,839</u>	<u>\$ 502,940</u>	<u>\$ (164,188)</u>	<u>\$ (292,445)</u>
Mineral property expenditures incurred to Inecosa <sup>(3)</sup> :				
Acquisition costs:				
Funds in trust pending title transfer	\$ 348,210	\$ -		
Cash property option payments	\$ -	\$ 317,850		
Number of common shares issued	7,249,300	-		
Exploration expenditures incurred	\$ 412,151	\$ 181,291		
Legal fees incurred to a law firm in which a director of the Company is a partner <sup>(4)</sup>	\$ 83,101	\$ 207,652	\$ (20,298)	\$ (150,883)
Net office, sundry, rent and salary allocations recovered from (incurred to) company(s) sharing certain common director(s) <sup>(5)</sup>	\$ (460)	\$ (160,911)	\$ 48,650	\$ (13,870)
Gain of debt settlement <sup>(6)</sup>	\$ 119,854	\$ -		
Write-off of receivables <sup>(7)</sup>	\$ -	\$ 12,992		

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

(2) A portion of Directors fees are accrued.

# CAZA GOLD CORP.

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Notes to the Consolidated Financial Statements

Years ended December 31, 2014 and 2013

(Stated in Canadian dollars)

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## 11. Related Party Transactions (continued)

- (3) A 40% 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 7(b) and 12).
- (4) Includes legal fees which are included in finance charges and share issuance expenses.
- (5) The company(ies) include Aztec Metals Corp. which share certain common director(s), and BYG Ventures Ltd. ("BYG"), Canarc Resource Corp. and Endeavour Silver Corp. which shared a common director until December 17, 2013.
- (6) The Company entered into a mutual release agreement with a former director in August 2014 and a settlement agreement with a law firm in which a senior officer is a partner in December 2014, resulting in the recognition of gain from debt settlement.
- (7) The Company wrote-off receivables due from BYG in 2013.

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

Transactions with Polygon are provided in Notes 9(a), 10(b) and 14. Convertible promissory notes with certain related parties are provided in Note 9(b). Shares-for-debt settlement with current and former senior officers are provided in Note 10(b)(ii).

## 12. Property Investigation

	Years ended December 31,	
	2014	2013
Property Investigation:		
Employee and management remuneration	\$ -	\$ 323,387
Field supplies	-	986
Mapping and surveys	981	2,842
Office and sundry	472	6,571
Transportation and travel	14,213	8,653
	<u>\$ 15,666</u>	<u>\$ 342,439</u>

# CAZA GOLD CORP.

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Notes to the Consolidated Financial Statements

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## 13. Segment Disclosures

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

	December 31, 2014				December 31, 2013			
	Canada	Mexico	Nicaragua	Total	Canada	Mexico	Nicaragua	Total
Mineral property interests	\$ -	\$ -	\$ 7,219,529	\$ 7,219,529	\$ -	\$ -	\$ 5,165,664	\$ 5,165,664
Equipment	1,902	1,745	-	3,647	2,717	5,965	-	8,682

## 14. Investment Agreement

In October 2013, the Company entered into an Investment Agreement (the "IA") with Polygon, the consummation of which was subject to satisfaction of a number of conditions precedent including shareholder and regulatory approvals. Under the terms of the IA, Polygon agreed to invest \$2.5 million to acquire 51.2% of the common shares of the Company on a post-consolidation basis at that time. A special general meeting of shareholders (the "SGM") was held to approve the investment and the creation of a new control person, to seek shareholder approval for a 3:1 share consolidation, and to approve the appointment of two nominees of Polygon to the Board of Directors of the Company. The proceeds of the investment were to be used to fund further exploration on the Company's Los Andes project in Nicaragua (in a manner approved by Polygon) and for working capital.

At the Company's SGM held in December 2013, the Company's shareholders approved all matters, specifically as follows:

- By way of a special resolution, approval of the consolidation of all of the Company's issued and outstanding common shares on the basis of three (3) old common shares for one (1) new common share (the "Consolidation"). There has been no change in the Company's name; and
- By way of a disinterested ordinary resolution, the shareholders approved the IA with Polygon, the related private placement and the resulting creation of a new control person. The Company issued to Polygon, on a private placement post-consolidation basis, 20,833,333 units of the Company at \$0.12 per unit for total gross proceeds of \$2.5 million. Each unit consisted of one common share and one share purchase warrant exercisable for three years at \$0.24 per share and with an expiry date of December 13, 2016. All securities issued were subject to a hold period of four months plus one day, ending on April 14, 2014.

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## 15. 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:

	2014	2013
Loss for the year	\$ (812,243)	\$ (3,511,098)
Canadian statutory tax rate	26.0%	26.0%
Income tax benefit computed at statutory rates	(211,183)	(915,283)
Foreign tax rates different from statutory rates	(6,154)	(123,923)
Items non-deductible for income tax purposes	37,573	13,078
Effect of change in tax rate	-	(78,709)
Change in timing differences	30,171	(153,403)
Unused tax losses and tax offsets not recognized in tax asset	189,519	1,397,541
Impact of foreign exchange on tax assets and liabilities	(39,926)	(139,301)
	\$ -	\$ -

Effective January 1, 2013, the Canadian federal corporate tax rate is 15% and the British Columbia provincial tax rate is 11% for a total Canadian statutory tax rate of 26%.

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, 2014 and 2013 are presented below:

	December 31,	
	2014	2013
Deferred tax assets		
Non-capital losses carried forward	\$ 635,485	\$ 643,643
Deferred tax liabilities		
Book value over tax value of equipment	(691)	(8,849)
Book value over tax value of mineral property interests	(634,794)	(634,794)
Deferred tax liabilities	(635,485)	(643,643)
Net deferred tax assets	\$ -	\$ -



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Notes to the Consolidated Financial Statements

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## 15. 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,	
	2014	2013
Non-capital losses	\$ 14,664,967	\$ 12,106,238
Share issue costs	280,073	399,969
Unrecognized deferred tax assets	\$ 14,945,040	\$ 12,506,207

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

	Canada	Mexico	Nicaragua	Total
2017	\$ -	\$ 339,233	\$ -	\$ 339,233
2018	-	543,181	-	543,181
2019	-	370,113	-	370,113
2020	-	509,977	-	509,977
2021	-	2,791,401	-	2,791,401
2022	-	973,746	-	973,746
2023	-	3,018,209	-	3,018,209
2024	-	-	57,802	57,802
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
2033	2,654,999	-	-	2,654,999
2034	512,051	-	-	512,051
	\$ 7,854,626	\$ 8,545,860	\$ 57,802	\$ 16,458,288

**HEAD OFFICE**

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

Telephone: (604) 685-9750  
Facsimile: (604) 685-9744

**DIRECTORS**

Michael Humphries  
Michael Adams  
James Defer  
Stewart Lockwood  
Philip Yee

**OFFICERS**

Brian Arkell ~ 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.  
3<sup>rd</sup> Floor, 510 Burrard Street  
Vancouver, BC, Canada, V6C 3B9

**AUDITORS**

Smythe Ratcliffe LLP  
7<sup>th</sup> Floor, 355 Burrard Street  
Vancouver, BC, Canada, V6C 2G8

**SOLICITORS**

Vector Corporate Finance Lawyers  
#1040 – 999 West Hastings Street  
Vancouver, BC, Canada, V6C 2W2