



**CAZA GOLD CORP.**

**Fourth Quarter Report**

**Management Discussion and Analysis**

**(stated in Canadian dollars)**

**Years ended December 31, 2016 and 2015**

# **CAZA GOLD CORP.**

(the “Company”)

## **Fourth Quarter Report**

### **Management’s Discussion and Analysis**

**For the Year ended December 31, 2016**

(expressed in Canadian dollars)

#### **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. These forward-looking statements or information may include statements regarding perceived merit of properties, exploration results and budgets, work programs, capital expenditures, operating costs, cash flow estimates, production estimates and similar statements relating to the economic viability of a project, timelines, strategic plans, completion of transactions, market prices for precious and base metals, or other statements that are not statements of fact. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as “expects”, “is expected”, “anticipates”, “believes”, “plans”, “projects”, “estimates”, “assumes”, “intends”, “strategy”, “goals”, “objectives”, “potential”, “possible” or variations thereof or stating that certain actions, events, conditions or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be “forward-looking statements or information”.

Forward-looking statements are based on a number of material assumptions, which could prove to be significantly incorrect, including our ability to achieve production at any of the Company’s mineral exploration and development properties, estimated capital costs, operating costs, production and economic returns, estimated metal pricing, metallurgy, mineability, marketability and operating and capital costs, together with other assumptions underlying the Company’s resource estimates, our expected ability to develop adequate infrastructure and that the cost of doing so will be reasonable assumptions that all necessary permits and governmental approvals will be obtained, assumptions made in the interpretation of drill results, the geology, grade and continuity of the Company’s mineral deposits, our expectations regarding demand for equipment, skilled labour and services needed for exploration and development of mineral properties and our activities will not be adversely disrupted or impeded by development, operating or regulatory risks.

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, without limitation, 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, currency fluctuations, risks related to market events and general economic conditions, uncertainty related to the Company’s ability to meet production levels and observe operating costs estimates mining and development risks, including risks related to infrastructure, accidents, equipment breakdowns, labor disputes or other unanticipated difficulties with or interruptions in development, construction or production risks related to governmental regulation and permits, including environmental regulation uncertainty related to the Company’s history of losses, increased competition in the mining industry, uncertainty as to the Company’s ability to acquire additional commercially mineable mineral rights, operational and environmental risks and hazards associated with mining and processing, risks related to increases in demand for equipment, skilled labour and services needed for exploration and development of mineral properties, and related cost increases and risks related to the third parties on which the Company depends for its exploration and development activities, 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.

## **CAZA GOLD CORP.**

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

---

### **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 statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2016 and 2015, and a summary of significant accounting policies and other explanatory information, all of which are available at the SEDAR website at [www.sedar.com](http://www.sedar.com).

Financial information in this MD&A is prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

All information contained in the MD&A is as of April 28, 2017 unless otherwise indicated.

Tim Coughlin, PhD (Structural Geology), FAusIMM, MSEG, President and Chief Executive Officer of the Company, is the Qualified Person who reviewed and approved any technical contents of this MD&A.

### **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 and base metal properties in Latin America.

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 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, if any, 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. Item 1.17 provides details of risk factors.

### **1.2 Overall Performance**

#### **(i) Support Agreement with Royal Road Minerals Limited:**

On January 20, 2017, Royal Road Minerals Limited ("Royal Road") made a formal offer (the "Offer") to purchase all of the outstanding common shares of the Company on the basis of 0.16 of an ordinary share of Royal Road for each common share of the Company.

On February 28, 2017, Royal Road was successful in its bid to acquire the Company. A total of 134,886,372 common shares of the Company, representing approximately 90% of the Company's issued and outstanding common shares were deposited under the Offer (and not withdrawn) as at February 27, 2017, the expiry time of the initial deposit period under the Offer.

Royal Road extended the deposit period under the Offer for the mandatory 10-day extension period required under

## CAZA GOLD CORP.

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

---

applicable securities laws, to enable those shareholders who have not yet tendered their shares, to deposit their common shares to the Offer. The Offer was extended until March 13, 2017.

On March 15, 2017, Royal Road announced that it has taken up a total of 137,822,549 common shares of the Company deposited under its Offer made to the Company's shareholders, representing over 90% of the Company's issued and outstanding common shares. The Offer expired and will not be further extended.

Royal Road intends to acquire all of the remaining the Company common shares not deposited under the Offer pursuant to the compulsory acquisition provisions in Section 300 of the *Business Corporations Act* (British Columbia). Royal Road has mailed a notice of compulsory acquisition to all remaining holders of the Company's common shares and expects to complete the acquisition of all the of the Company's common shares on or around May 21, 2017. Royal Road further intends to cause the Company's common shares to be de-listed from the TSX Venture Exchange.

### (ii) Mineral Property Interests:

The Company signed a purchase agreement in December 2014 to acquire a 100% interest in the Los Andes property in Nicaragua in which title to the concessions were transferred to the Company in November 2015.

In 2016, the Company wrote-down its mineral property interests to the fair value of the Offer by Royal Road.

#### *Los Andes Property (Nicaragua)*

In December 2014, the Company entered into a Purchase Agreement with Inversiones Ecologicas S.A. ("Inecosa"), which shares a certain common officer with the Company, to acquire a 100% interest in the Los Andes property. The Company issued 7.06 million common shares to Inecosa at a fair value of \$0.04 per share and paid US\$300,000 "in trust", at that time, to shareholders of Inecosa pending successful transfer of title of the Los Andes property to the Company. In November 2015, Inecosa completed the transfer of title of the Los Andes property as well as other concessions to the Company, and funds held in trust for the shareholders of Inecosa were accordingly paid to them. 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.

The Los Andes property consists of a number of gold and copper-gold targets occurring along a large scale structural and alteration trend. The targets are typically high sulfidation and porphyry, with low sulfidation along the peripheries. The entire Los Andes property now covers 15,603.13 Ha of titled claims, 100% controlled by the Company under five mineral concessions: Los Andes, Los Andes I and Los Andes Union in the center of the trend (total of 5338.23 Ha); El Pochote in the south (8674.90 Ha); and El Espejo in the north (1590.00 Ha).

In 2015, the Company completed additional exploration drilling at the San Francisco target as well as a second nearby target, Esperanza. Two holes totaling 746 meters were completed at San Francisco and two holes totaling 599 meters at Esperanza. At San Francisco, the targeted vein was not intersected, likely due to a change in orientation of the vein. At Esperanza, both holes drilled through silicified rock on surface and into unaltered andesite volcanic rocks. There were no significant results. The Company does not plan to pursue further work at San Francisco at this time, and future exploration efforts would be subject to financing.

The Company had completed detailed mapping and sampling at the Pedregal Target in 2015. The detailed mapping covered an area of 10 square kilometers, and further delineated areas of silicification and argillization noted in earlier surveys. A series of andesitic volcanic rocks exhibit featured typical of high sulfidation system, including silicification, argillic and advanced argillic alteration. Surface mapping and sampling had outlined a large area along a 2.5 km trend with

## CAZA GOLD CORP.

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

---

anomalous gold, silver, copper and trace elements, coincident with the alteration. Gold values up to 1.8 g/t Au along with silver values up to 197 g/t Ag had been collected in rock samples within this area of alteration. In October 2015, five shallow diamond drill holes were completed for a total of 1,161 meters. The drill holes intersected strong argillic and silica alteration with anomalous values of silver and copper. The geochemistry and alteration suggested that the area was outboard of the main hydrothermal system and future drilling should target areas to the east, subject to financing.

The Company had identified a number of other targets along the 11 km long Los Andes structural corridor. These targets have been identified by a combination of mapping and sampling, and show hydrothermal alteration as well as anomalous geochemistry. Further work was needed to fully delineate these prospects, subject to financing.

In April 2015, a high resolution helicopter-borne magnetic and radiometric survey covering some 55 square kilometers over the main Los Andes area was completed. The survey totalled approximately 550 line kilometers at 100 meter spacing flown at a 50 meter altitude. Review of the initial results had identified a number of anomalous areas and had enhanced the structural model of the Los Andes trend. A magnetic high was centered over the Quisaltepe area, interpreted as a large, buried intrusive body. At least four other magnetic highs, likely intrusive bodies, associated with alteration and surface geochemical anomalies, were identified as follow-up prospects. Five large areas of interpreted as magnetite destruction were evident in the data along with three potassium radiometric anomalies.

In 2016, the Company initiated field work along the northern Los Andes structural trend in the area between the Quisaltepe and the Pedregal / Cerro Coral prospects which had identified broad zones of strongly silicified and veined andesitic volcanic rocks associated with volcanic necks, flow-dome complexes and breccia pipes. A first pass of mapping and rock chip sampling had been completed in this area. More detailed follow-up work was planned subject to financing.

### *El Diamante Property (Nicaragua)*

The El Diamante property covers 2500.00 Ha of titled claims.

Located in the Chontales Department, 125 kilometers east of Managua along Federal Highway 7, the Diamante project is an early-stage generative exploration target centered on a large area of alteration. The area was initially identified by using airborne and remote sensing techniques followed up by ground-based, reconnaissance exploration. This initial work identified a broad zone of strong alteration, or lithocap in andesitic volcanic rocks.

In 2016, the Company completed the first phase of fieldwork at El Diamante outlining a large area of altered lithocap and quartz-sulfide veins with gold values as high as 0.16 g/t Au and silver up to 5.2 g/t Ag. The alteration in the lithocap was indicative of the upper parts of an epithermal system. The gold and silver assay results, along with the alteration, indicated potential for a mineral deposit concealed beneath the lithocap cover. The Company was planning additional exploration on the property to further delineate the target, subject to financing.

### *Piedra Iman Property (Nicaragua)*

The Company's Piedra Iman project covers a large alteration zone identifying a porphyry copper-gold system. Title had been received for 7,947.27 Ha.

The Company had completed the planned fieldwork for 2015 at Piedra Iman which included detailed mapping on the main target area, along with reconnaissance exploration within the peripheral regions. The detailed mapping suggested a porphyry copper-gold-molybdenum system. The main mineralization was in a copper-gold porphyry system centered on multiple quartz diorite to diorite intrusives. This main porphyry system was in turn cut by a later granitic intrusive

## CAZA GOLD CORP.

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

---

containing copper-molybdenum-gold. Potassic and sericitic alteration were present with chalcopyrite, bornite, and pyrite. Molybdenite was identified in the later granitic intrusive.

The Company recently completed further detailed geologic mapping and rock chip sampling extending the zone of alteration and mineralization another 500 meters to the west. Thirty-seven additional rock chip samples were collected. These samples, along with previous exploration data, delineate porphyry-related copper and gold mineralization on surface covered an area of over 800 meters long by 300 meters wide.

In May 2016, the Company received notice from the Nicaraguan Environmental Ministry (Ministerio del Ambiente y Los Recursos Naturales or "MARENA") that its application for an Environmental Permit (Permiso Ambiental) for the Piedra Iman project had been denied. The environmental permit was for construction of drilling platforms, drill holes, and a personnel camp. The Company had filed an appeal of the decision and was gathering more detailed technical information in support of the application. The Company planned to resubmit the application with the additional technical information, pending a positive outcome of the appeal process. The Company had an environmental assessment covering the Piedra Iman project which allowed it to conduct sampling, trenching, and other surface exploration activities. Thus exploration works, with the exception of drilling, can continue. The Company needed to assess the impact of the MARENA decision before proceeding with further exploration. The Company was working with community and government officials, as well as preparing technical studies in support of the permitting process.

### *Other Nicaragua Properties*

The Company has four other properties under evaluation in Nicaragua: (1) Teustepe, (2) Las Lajas, (3) El Pedernal, and (4) Cerro La Vaca. All are in the early stages of exploration.

Teustepe was a gold target adjacent to the Los Andes property. It was covered by Los Potreritos concession of 4800.00 Ha. Initial fieldwork had outlined an area of silica-clay-iron oxide alteration with exposures over more than one square kilometer before diving under cover of alluvium. Float of colloform-banded quartz-sulfide veins was identified in the alluvium. This initial work suggested potential for a low sulfidation gold in quartz vein target, but further work was required to confirm this. The Company was currently working on obtaining an Environmental Assessment ("EA") permit to allow further exploration works such as detailed sampling and trenching, subject to financing.

Las Lajas project was covered under La Borbona concession of 5600.00 Ha. The target was within a caldera complex with silica and clay altered volcanic rocks. The Company completed mapping and other exploration works during 2011-2012, and again in 2015. These works indicated potential for a porphyry or high sulfidation gold target under the altered lithocap cover. In early 2016, the Company received notice from the Nicaragua Ministry of Mines, Energy, and Mineral Resources (MEM) that the Borbona concession rights had been revoked due to insufficient work on the part of the Company. The Company disagreed with the ruling and has filed an appeal. The appeal was still in process and a decision was pending. Work on the project was halted and the Company has not paid the most recent concession fee in July 2016 pending the decision.

El Pedernal project was covered by four concessions: Las Lajitas (414.75 Ha), Las Lajitas Union (102.98 Ha), San Nicolas (2201.85 Ha), and Cuisala (1368.00 Ha). The project comprised a large area of silica, clay, and iron oxide (after sulfide) lithocap alteration that can be traced for over six kilometers. In early 2016, the Company received notice from MEM that the Las Lajitas concession had been revoked due to insufficient work. The Company disagreed with the ruling and had filed an appeal. The Company continued work on the project and had paid all concession fees including Las Lajitas. The Company completed mapping and reconnaissance exploration on the properties in 2016. The Company was pursuing work on an Environmental Assessment (EA) permit to allow sampling and trenching to commence, subject to financing.

The Cerro La Vaca project was covered under the La Palma concession of 2000.00 Ha. The project comprised two large areas of silica-clay-iron oxide (after pyrite) lithocap alteration. During 2016, the Company completed mapping over the

## **CAZA GOLD CORP.**

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

---

entire project area. The Company was working on an EA permit to allow further sampling and trenching works, subject to financing.

### **(iii) Polygon Mining Opportunity Master Fund:**

In May 2016, the Company closed a loan agreement with Polygon pursuant to which Polygon advanced a loan in the principal amount of US\$500,000 to the Company, as evidenced by a promissory note. The loan had a maturity date of May 13, 2018 and is payable on demand upon the Company consummating an equity or loan financing with net proceeds of at least US\$2.5 million. The loan bears interest at the rate of 10% per annum payable quarterly beginning on June 30, 2016. Interest payments may, at the option of the Company, be added to the principal amount of the loan. As security for the payment of the Company's obligations and for the fulfilment and satisfaction of all covenants and agreements made under the loan agreement, the Company also entered into a general security agreement with Polygon pursuant to which the Company granted Polygon a security interest in all personal property of the Company, including the issued and outstanding shares of the Company's wholly-owned Nicaraguan subsidiary, Nicaza S.A, which holds certain mineral exploration properties located in Nicaragua, including the Los Andes project and the Piedra Iman property. The loan was approved by the Company's independent committee of the Board of Directors. Interests which are payable quarterly have been accrued and included in the principal amount of the loan.

Polygon was a control person and related party of the Company (as defined by securities legislation) and owned 77.5% of the Company's issued and outstanding share capital at that time.

The Company and Polygon entered into the Agreement in respect of Investment Agreements and Loan Agreement dated January 19, 2017 whereby the maturity date of the loan was extended to May 13, 2019 subject to Royal Road having taken up and paid for the Company's common shares which were held and deposited by Polygon by March 2, 2017 pursuant to Royal Road's tender offer to acquire the Company. On March 13, 2017, a total of 137,822,549 shares of the Company, representing over 90% of the Company's then issued and outstanding common shares, were deposited under the offer by Royal Road. Royal Road intends to acquire all the remaining shares of the Company pursuant to the compulsory acquisition provisions in Section 300 of the Business Corporations Act (British Columbia).

### **(iv) Other:**

At the Company's Annual General Meeting held in June 2016, Messrs. Brian Arkell, Michael Humphries, Michael Adams, James Defer, Stewart Lockwood and Philip Yee were re-elected as Directors of the Company for the ensuing year. Messrs. Michael Humphries, Michael Adams, and James Defer resigned as Directors on November 29, 2016. Mr. Brian Arkell resigned as Chief Executive Officer, President and Director of the Company, Mr. Stewart Lockwood resigned as Secretary and Director, Mr. Philip Yee resigned as Chief Financial Officer and Director, and Mr. Marco Montecinos resigned as Vice-President Exploration effective March 1, 2017 when Royal Road acquired over 90% of the Company's issued and outstanding shares. Messrs. Tim Coughlin, Peter Mullens and Vernon Arseneault were appointed to the Company's Board of Directors, with Mr. Mullens as its Chairman of the Board, Mr. Coughlin as the Chief Executive Officer and President, Mr. Eric Lowry as Secretary, and Ms. Cindy Davis as Chief Financial Officer.

On January 25, 2017, the Company issued 7,837,000 common shares at a fair value of \$0.02 per share pursuant to shares for debt settlements with certain former directors and former officers and vendors of the Company. Of the 7,837,000 common shares, 5,337,000 common shares were issued to settle debts of \$266,850 including salaries, legal fees and directors fees payable to former directors and 2.5 million shares as severance to senior officers.

On January 25, 2017, Polygon exercised 1.2 million warrants with an exercise price of \$0.05 for proceeds of \$60,000 and a fair value of \$12,000. Then on March 1, 2017, Polygon exercised another 2.45 million warrants with an exercise price of \$0.05 for proceeds of \$122,500 and a fair value of \$24,500.

## CAZA GOLD CORP.

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

---

### 1.3 Selected Annual Information

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB.

---

	Years Ended December 31,		
	2016	2015	2014
Total revenues	\$ -	\$ -	\$ -
Loss before discontinued operations and extraordinary items:			
(i) Total	\$ (7,734,060)	\$ (511,040)	\$ (812,243)
(ii) Basic per share	\$ (0.05)	\$ -	\$ (0.02)
(iii) Diluted per share	\$ (0.05)	\$ -	\$ (0.02)
Net loss:			
(i) Total	\$ (7,734,060)	\$ (511,040)	\$ (812,243)
(ii) Basic per share	\$ (0.05)	\$ -	\$ (0.02)
(iii) Diluted per share	\$ (0.05)	\$ -	\$ (0.02)
Total assets	\$ 3,293,598	\$ 10,129,540	\$ 10,469,983
Total long-term liabilities	\$ 715,219	\$ -	\$ -
Dividends per share	\$ -	\$ -	\$ -

---

### 1.4 Results of Operations

#### *Fourth Quarter of Fiscal 2016 – Year ended December 31, 2016 compared with December 31, 2015*

The Company incurred a significant net loss of \$7.7 million for the year ended December 31, 2016, in contrast to a net loss of \$511,000 for fiscal 2015, in which the former was significantly influenced by the write down of \$7.2 million in mineral property interests and the latter was affected by the rapid appreciation of the United States dollar relative to the Canadian dollar resulting in the foreign exchange gain of \$266,200. The Company had continued with its efforts to manage its discretionary expenses due to budgetary constraints and lack of cash resources. Net losses were impacted by different functional expense items.

The Company had no sources of operating revenues. Operating losses continued to be incurred for ongoing activities of the Company to explore or to maintain its mineral property interests, specifically its interest in the Los Andes property and its other regional interests in Nicaragua.

The Company continued its reliance on the external Nicaraguan accounting firm for the Company's ongoing financial reporting and accounting and tax compliance and jurisdictional legal representation in 2015 and 2016, and for external accounting and reporting support in Mexico for the first half of 2015. The volume of transactional events increased significantly in Nicaragua in 2015 from the Company's direct employment of local labourers and its exploration activities, resulting in increased external accounting support which subsided in the fourth quarter of 2015 as the Company completed its



## CAZA GOLD CORP.

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

---

exploration activities. This effected to higher costs in 2015. In late 2015 and early 2016, the Company also engaged tax advisors to clarify tax issues affecting Nicaraguan exploration properties which were transferred from Inecosa to the Company's wholly owned Nicaraguan subsidiary, and in the third quarter for 2016, to assist with its Canadian tax compliance with foreign ownership rules.

Amortization was higher from the acquisition of additional equipment in fiscal 2015 in Nicaragua to support exploration activities. Certain equipment in Nicaragua was disposed in the first quarter of fiscal 2016 to provide funds needed to support ongoing local expenditures, thereby reducing amortization in subsequent quarters.

Employee remuneration was lower in 2016 than 2015. Employee remuneration directly related to mineral exploration projects was allocated to those specific projects rather than to operations, in which the Company had active exploration programs for the Los Andes project and its other regional projects in Nicaragua in 2015, and such expenses were also allocated to property investigation and project generation efforts as warranted. In the first quarter of 2015, exploration activities were focused on geophysics and detailed mapping and sampling; in the second quarter preliminary work for drilling which was mobilized in early July 2015; in the third quarter for drilling programs in San Francisco and Pedregal and reconnaissance exploration and detailed mapping at Piedra Iman; and in the fourth quarter exploration activities subsided. The closure of the Company's Mexico office reduced employee remuneration in the latter part of fiscal 2015 and subsequent quarters. For the first quarter of 2016, there were no exploration programs as the Company's mineral exploration projects were on care and maintenance due to the lack of funds; in the second quarter, the Company proceeded with mapping and rock chip sampling at both Los Andes and Piedra Iman including the first phase of fieldwork at El Diamante prospect; in the third quarter, the Company had completed its exploration programs and no further exploration efforts were initiated for the remainder of the year due to nominal cash resources for working capital and its mineral property interests were on care and maintenance. Also nominal salaries were incurred in the fourth quarter of 2016 due to the Company's inability to continue to accrue salaries and eventual settlement of any salaries as the Company advances in its discussion regarding valuations which may adversely affect the Offer presented by Royal Road to acquire all the shares of the Company and the limited ability by Polygon to continue to finance the Company's working capital needs. Employee remuneration was mainly incurred to support its ongoing continuous disclosure and other regulatory compliance and financial and administrative support.

Legal fees were higher in 2016 than in 2015. In 2015, legal services were mainly for assistance to the Company's continuous disclosure obligations, shares for debt settlement with a senior officer, granting of stock options, and the transfer of title concessions of mineral property interests from Inecosa to the Company. Minimal legal services were rendered in the fourth quarter of fiscal 2015 as the Company reduced its level of corporate finance activity to preserve its limited cash resources and remaining working capital which continued into the first two quarters of 2016. Certain legal services were rendered in the closing of the promissory loan of US\$500,000 from Polygon in May 2016 and for specific advisory services to assist in corporate finance issues. In the fourth quarter of 2016, legal fees significantly increased due to the Offer by Road Royal leading the Support Agreement to acquire all the issued and outstanding shares of the Company and the related regulatory requirements.

Office and sundry were higher in the first quarter of 2016 relative to comparable quarter but slightly subsided in the second quarter, then increased in the third quarter and again decreased in the fourth quarter of 2016 but remain lower than comparable quarters in 2015. The term of the Company's coverage for general and Nicaraguan liability insurance to mitigate any exploration risks associated with its reconnaissance, sampling and drilling and ancillary activities in Nicaragua continued into 2016 which policy was not implemented in the first quarter of 2015. Such insurance coverages were not renewed in 2016 given limited exploration activities after the second quarter of 2016. Certain software licenses were not renewed in 2016 due to budgetary constraints. Closure of the Mexico office in 2015 also reduced expenses for subsequent quarters. Office and sundry and rent reflect the ongoing minimalistic expenditures for ancillary office support facilities as the Company maintains its reduced level of discretionary administrative operating expenses.

There were no concerted efforts expended on property investigation and project generation for comparative years. The primary focus in 2015 was the exploration and drilling programs for the Los Andes property and a planned airborne geophysics survey in the area. Property investigation activities for 2015 involve mostly mapping of Nicaraguan regional

## CAZA GOLD CORP.

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

---

areas to better interpret and supplement the geological data for its existing mineral property interests which ended in the fourth quarter. Generative activities in 2016 involve pursuing possible merger or acquisition and joint venture opportunities given the difficulties in the capital markets for junior exploration companies from weak commodity prices during the early part of the year. In the second quarter of 2016, the Company focused on exploration activities on its mineral property interests subsequent to the debt financing from Polygon, which were completed in the third quarter. Then in the fourth quarter of 2016 negotiations with Royal Road advanced culminating to the Support Agreement for the Offer for Royal Road to acquire the Company.

Regulatory expenses were lower than the prior year in 2015. External support services for the Company's annual general meeting were discounted to satisfy budgetary constraints in 2016. There were no new corporate initiatives in 2016 which would affect its ongoing compliance disclosure or require regulatory reviews for approvals.

There were negligible shareholder relations activities given the Company's limited discretionary cash resources. For the past two years, the Company had no active shareholders relations programs given the reduction in the percentage of common shares in the public float as Polygon increased its percentage interest in the Company to 78.9% at that time upon the closing of the private placement with Polygon in December 2014. Shareholder relation expenses were incurred to promote the status of the Company's Nicaraguan projects which would supplement joint venture efforts in 2016.

Share-based payments were for the granting and vesting of stock options. In July 2015, the Company granted stock options to purchase up to 3.4 million common shares at an exercise price of \$0.08 until July 3, 2020, in which 20% of the stock options vest immediately on the grant date and 20% vest every six months thereafter. There was more than double the number of stock options which were subject to vesting provisions in the beginning of 2016 than in the beginning of 2015; however forfeitures and changes in the volatility and expected live of the unvested stock options would contribute to the lower expense in the current period than in the comparative period in 2015. No stock options were granted in 2016. Forfeitures from the departure of personnel and resignations of directors reduced share-based payments.

In 2015, the foreign exchange gain is from the net effects of foreign currency translation from the Company's Mexican and Nicaraguan subsidiaries which operate in their respective jurisdictional currencies and from US dollar stated accounts, as the Company's functional and presentation currencies are the Canadian dollar. In early 2015, a significant portion of the Company's funds were held in US dollars whereby the private placement of \$4.4 million with Polygon in December 2014 was received in US dollars. The rapid appreciation of the US dollar relative to the Canadian dollar during the first quarter of fiscal 2015 allowed the realization of foreign exchange gain which primarily resulted in the net earnings during the first quarter and a significant foreign exchange gain during the year ended December 31, 2015, even though the Company does not have any sources of revenues and does not have any revenue-generating operations. A foreign exchange loss was recognized in the second quarter of fiscal 2015 as the US dollar's rapid appreciation subsided within that particular quarter. The net foreign exchange gain in the fourth quarter of 2015 was nominal, as the Company's US dollar cash holdings were depleted from its exploration programs during the remainder of 2015. Although the US dollar continued to appreciate during the first quarter of fiscal 2016, the comparative impact was nominal as the Company's US dollar cash holdings continue to be depleted to significantly lower amounts than the first quarter of 2015. The Company did close on a debt financing for US\$500,000 in May 2016 with Polygon which was made in US funds. In 2016, there was less volatility in foreign exchange rates than in 2015 resulting in less foreign exchange gain/loss effects in the current year. Any foreign gains in the US dollar were offset by the depreciation in the Mexican pesos and Nicaraguan Cordoba.

Interest income is earned from the Company's investment in guaranteed investment certificates which bear interest at a discount from the prime rate and are redeemable at any time. Funds were invested in guaranteed investment certificates in the fourth quarter of 2014 from the proceeds of the private placement with Polygon which closed in December 2014. The majority of such funds were invested in interest bearing deposits in 2015 resulting in the realization of higher interest earned. Funds are withdrawn as needed for ongoing working capital and exploration expenditures. The depletion of invested funds contributed to the lower interest income in the first quarter of 2016. Funds from the promissory note with Polygon in May 2016 were not invested in interest bearing instruments given the immediacy of implementing the Company's exploration programs which was completed in the third quarter, and the settlement of outstanding debts owed at that time.

## **CAZA GOLD CORP.**

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

---

Interest charges were incurred in the second and subsequent quarters of fiscal 2016 for the promissory note with Polygon which was issued in May 2016. The promissory note bears an interest rate of 10% payable quarterly and matures on May 13, 2018 which was then extended to May 13, 2019 in January 2017. Interest payments may, at the option of the Company, be added to the principal amount of the loan, which accrued interest of \$43,133 was included as principal at December 31, 2016.

In the first half of 2015, the Company recovered nominal value added tax refunds from the Mexican government which were previously written off as uncollectible. The closure of the Company's office in Mexico in 2015 resulted in the write off of any remaining VAT and other receivables. Ongoing uncertainty as to the cash collectability of VAT in Nicaragua contributed to the respective write offs in both 2016 and 2015. Certain receivables were written off in both 2016 and 2015.

In 2015, the gain on debt settlement was for the remuneration to a senior officer who is in part compensated by the issuance of common shares of the Company. The gain is recognized from discrepancy between the market price on the date of the issuance of such shares and the minimum regulatory deemed value. In 2016, certain directors fees payable to former directors were derecognized.

In the first quarter of 2016, the Company disposed of a truck to provide working capital for ongoing support in Nicaragua and recognized a loss from such disposition. In the fourth quarter of 2016, an obsolete equipment was written off.

In the fourth quarter of 2016, the Company wrote down its Nicaraguan mineral property interests by \$7.2 million to a fair value of \$3.2 million to reflect the valuation of the Offer by Royal Road to acquire all the issued and outstanding shares of the Company.

As at December 31, 2016, the Company has mineral property interests which are comprised of the following:

**CAZA GOLD CORP.**

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

	Year ended December 31, 2016		
	Nicaragua		Total
	Los Andes	Other	
<b>Acquisition Costs:</b>			
Balance, December 31, 2015	\$ 1,691,486	\$ 49,936	\$ 1,741,422
Acquisition or staking	-	-	-
Write down	(1,170,554)	(34,556)	(1,205,110)
Balance, December 31, 2016	520,932	15,380	536,312
<b>Deferred Exploration Expenditures:</b>			
Balance, December 31, 2015	6,947,150	979,929	7,927,079
Aerial, photo and mapping	143	-	143
Assays and sampling	-	5,512	5,512
Camp and field supplies	100	441	541
Community and social	42,389	35,920	78,309
Equipment and systems	170	-	170
Geology	10,866	66,358	77,224
Salaries and local labour	242,749	177,475	420,224
Sundry	26,726	2,527	29,253
Surface/concession taxes	15,213	102,537	117,750
Transportation and travel	6,434	33,858	40,292
Write down	(5,046,216)	(971,992)	(6,018,208)
Balance, December 31, 2016	2,245,724	432,565	2,678,289
<b>Mineral Property Interests:</b>			
December 31, 2015	\$ 8,638,636	\$ 1,029,865	\$ 9,668,501
December 31, 2016	\$ 2,766,656	\$ 447,945	\$ 3,214,601

**1.5 Summary of Quarterly Results (Unaudited)**

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, 2016. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

# CAZA GOLD CORP.

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

	2016				2015			
	Dec 31 <sup>(1)</sup>	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31 <sup>(2)</sup>
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income (loss) before discontinued operations and extraordinary items:								
(i) Total	\$ (7,308,503)	\$ (157,635)	\$ (149,180)	\$ (118,742)	\$ (275,161)	\$ (164,173)	\$ (169,387)	\$ 97,681
(ii) Basic earnings (loss) per share	\$ (0.05)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(iii) Diluted earnings (loss) per share	\$ (0.05)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net income (loss):								
(i) Total	\$ (7,308,503)	\$ (157,635)	\$ (149,180)	\$ (118,742)	\$ (275,161)	\$ (164,173)	\$ (169,387)	\$ 97,681
(ii) Basic earnings (loss) per share	\$ (0.05)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(iii) Diluted earnings (loss) per share	\$ (0.05)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total assets	\$ 3,293,598	\$ 10,539,230	\$ 10,647,680	\$ 10,123,494	\$ 10,129,540	\$ 10,355,737	\$ 10,532,190	\$ 10,686,399
Total long-term liabilities	\$ 715,219	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dividends per share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(1) In the fourth quarter of fiscal 2016, the Company wrote down its Nicaraguan mineral property interests by \$7.2 million to a fair value of \$3.2 million to reflect the valuation of the Offer by Royal Road to acquire all the issued and outstanding shares of the Company.

(1) The net earnings in the first quarter of fiscal 2015 was attributable to the accelerated strength in the US dollar relative to the Canadian dollar.

## 1.6 Liquidity

The Company is in the exploration stage and has not yet determined whether its mineral property interests contain reserves. The recoverability of amounts capitalized for mineral property interests is dependent upon the existence of 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.

Until such time that the Company can successfully bring a mineral property interest into production in order to generate cash flow, enter into other ventures that generate cash flows or identify other financing sources, the Company may have to mainly rely on its controlling shareholder, Royal Road, to inject the capital, by way of private placement debt or equity financings, required to pay for exploration expenditures and administrative expenses. Royal Road has no obligation to participate in any further debt or equity capital injections in the Company. Also, although Polygon has been supportive of the Company's recent financing efforts, there is no assurance that Polygon will provide additional financial contributions to the Company in the future.

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

## CAZA GOLD CORP.

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

---

periods since incorporation. This result is typical of smaller exploration companies, and will continue until the Company generates revenues and positive cash flows.

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

---

	December 31,	
	2016	2015
Cash	\$ 39,896	\$ 364,756
Working capital deficiency	(664,095)	(194,327)

---

The Company has no source of operating revenues.

Operating and investing activities continue to reduce cash resources of the Company. Operating activities include employee remuneration, legal, office and sundry, and regulatory. The Company incurred exploration expenditures of \$769,400 for its mineral property interests in Nicaragua during the year ended December 31, 2016 (2015 - \$2.45 million) which was written down by \$7.2 million to a fair value of \$3.2 million in 2016.

On April 14, 2015, the Company issued 1.25 million common shares at a fair value of \$0.03 per share which were issuable to a senior officer pursuant an employment agreement. Then on November 17, 2015, the Company issued 1.31 million common shares at a fair value of \$0.03 per share to the same senior officer for his remuneration.

The Company did not close any debt or equity financings in 2015.

In May 2016, the Company closed a loan agreement with Polygon pursuant to which Polygon advanced a loan in the principal amount of US\$500,000 to the Company, as evidenced by a promissory note. The loan had an original maturity date of May 13, 2018 which was extended to May 13, 2019, and is payable on demand upon the Company consummating an equity or loan financing with net proceeds of at least US\$2.5 million. The loan bears interest at the rate of 10% per annum payable quarterly beginning on June 30, 2016. Interest payments may, at the option of the Company, be added to the principal amount of the loan. As security for the payment of the Company's obligations and for the fulfilment and satisfaction of all covenants and agreements made under the loan agreement, the Company also entered into a general security agreement with Polygon pursuant to which the Company granted Polygon a security interest in all personal property of the Company, including the issued and outstanding shares of the Company's wholly-owned Nicaraguan subsidiary, Nicaza S.A, which holds certain mineral exploration properties located in Nicaragua, including the Los Andes project and the Piedra Iman property. Item 1.2(iii) provides further details.

The following schedule provides the contractual obligations related to the promissory note payable as at December 31, 2016:

## CAZA GOLD CORP.

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

	Payments due by Period (CAD\$)					Payments due by Period (US\$)				
	Total	Less than	1-3 years	3-5 years	After	Total	Less than	1-3 years	3-5 years	After
		1 year			5 years		1 year			5 years
Promissory note:										
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500,000	\$ -	\$ 500,000	\$ -	\$ -
Accrued interest <sup>(1)</sup>	-	-	-	-	-	32,171	-	32,171	-	-
Interest <sup>(1)</sup>	-	-	-	-	-	77,123	55,246	21,877	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 609,294</b>	<b>\$ 55,246</b>	<b>\$ 554,048</b>	<b>\$ -</b>	<b>\$ -</b>

<sup>(1)</sup> The Company has the option to add unpaid interest to the principal of the promissory note. The interest due and payable in 2016 was accrued and included in the principal.

On January 25, 2017, the Company issued 7,837,000 common shares at a fair value of \$0.02 per share pursuant to shares for debt settlements with certain former directors and former officers and vendors of the Company. Of the 7,837,000 common shares, 5,337,000 common shares were issued to settle debts of \$266,850 including salaries, legal fees and directors fees payable to former directors and 2.5 million shares as severance to senior officers.

On January 25, 2017, Polygon exercised 1.2 million warrants with an exercise price of \$0.05 for proceeds of \$60,000. Then on March 1, 2017, Polygon exercised another 2.45 million warrants with an exercise price of \$0.05 for proceeds of \$122,500.

The Company continued to explore alternatives to raising capital to advance exploration of its Nicaraguan projects and to improve its financial condition through joint ventures, mergers and acquisitions and other strategic alternatives.

The Company may have option agreements, if any, 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 1.7, further details of contractual obligations are provided as at December 31, 2016. The Company continued to rely upon debt and equity financing as its principal source of financing its projects.

### 1.7 Capital Resources

As at December 31, 2016, the Company did not have to incur exploration expenditures on the properties and/or make payments in the form of cash and/or shares to the optionors to maintain the Company's interest and to fully exercise the options under various property agreements covering its mineral property interests.

In November 2015, Inecosa completed the transfer of title of the Los Andes property as well as other concessions to the Company, and funds held in trust for the shareholders of Inecosa were accordingly paid to them. Inecosa retains a 2% NSR on certain of the Company's Nicaraguan properties, 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.

### 1.8 Off-Balance Sheet Arrangements

There are no known off balance sheet arrangements except as disclosed in the Company's public filings.

## CAZA GOLD CORP.

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

### 1.9 Transactions with Related Parties

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 MD&A, the Company had the following transactions with related parties during the year ended December 31, 2016:

	Years ended December 31,		Net balance receivable (payable) as at December 31,	
	2016	2015	2016	2015
Key management compensation:				
Executive salaries and remuneration <sup>(1), (5), (6)</sup>	\$ 409,686	\$ 590,702	\$ (267,222)	\$ (73,998)
Directors fees <sup>(2), (5), (6)</sup>	41,000	44,330	(83,330)	(116,525)
Share-based payments	53,338	131,342	-	-
	<u>\$ 504,024</u>	<u>\$ 766,374</u>	<u>\$ (350,552)</u>	<u>\$ (190,523)</u>
Legal fees incurred to a law firm in which a director of the Company is a partner <sup>(3), (6)</sup>	\$ 31,030	\$ 52,636	\$ (18,485)	\$ (11,503)
Net office, sundry, rent and salary allocations recovered from (incurred to) company(s) sharing certain common director(s) <sup>(4)</sup>	\$ 1,104	\$ (447)	\$ -	\$ 7,481
Gain of debt settlement <sup>(5)</sup>	\$ 68,196	\$ 51,118		
Write-off of receivables <sup>(4)</sup>	\$ 8,544	\$ 41,874		

(1) Includes key management compensation which was included in employee and director remuneration, mineral property interests and property investigation, as applicable.

(2) A portion of Directors fees were accrued.

(3) Includes legal fees which are included in finance charges and share issuance expenses, as applicable.

(4) The company was Aztec Metals Corp. which shared a former common director.

(5) Pursuant to an employment agreement, a portion of a former senior officer's remuneration was payable in common shares of the Company. In 2016, the Company derecognized certain directors fees payable.

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

Transactions with 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 transactions with non-related parties.



## **CAZA GOLD CORP.**

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

---

The Company shares common office facilities, employee and administrative support, and office sundry amongst company(ies) with common current and former director(s), and such allocations to the Company are on a full cost recovery basis.

In May 2016, the Company closed a loan agreement with Polygon pursuant to which Polygon advanced a loan in the principal amount of US\$500,000 to the Company, as evidenced by a promissory note. In January and March 2017, Polygon exercised warrants for 3.65 million common shares at an exercise price of \$0.05 per share. Item 1.2 provides further details.

On January 25, 2017, the Company issued 7,837,000 common shares at a fair value of \$0.02 per share pursuant to shares for debt settlements with certain former directors and former officers and vendors of the Company. Of the 7,837,000 common shares, 5,337,000 common shares were issued to settle debts of \$266,850 including salaries, legal fees and directors fees payable to former directors and 2.5 million shares as severance to senior officers. Item 1.2(iv) provides further details

### **1.10 Fourth Quarter**

Items 1.2, 1.4, 1.5, 1.6 and 1.7 provide further details for the fourth quarter of fiscal 2016.

### **1.11 Proposed Transactions**

Other than those in the ordinary course and other than those already disclosed in this MD&A and other than those already disclosed in its regulatory and public filings, there are no proposed material asset or business acquisitions or dispositions before the board of directors for consideration.

### **1.12 Critical Accounting Estimates**

The preparation of consolidated 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 on-going basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests; the determination of accrued liabilities; accrued site remediation; the variables used in the determination of the fair values of stock options granted and warrants issued as finders' fees and promissory note payable; 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 results of operations and cash flows.

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

## **CAZA GOLD CORP.**

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

---

### **1.13 Changes in Accounting Policies Including Initial Adoption**

The consolidated financial statements for the year ended December 31, 2016 include note disclosure in Note 2(f) which provides for any changes in accounting policies including initial adoption and recent accounting pronouncements.

The Company did not early adopt any recent pronouncements.

### **1.14 Financial Instruments and Other Instruments**

The Company classifies its financial instruments as follows:

- cash as financial assets at fair value through profit or loss ("FVTPL"),
- receivables as loans and receivables, and
- accounts payable and accrued liabilities and promissory note payable as other financial liabilities.

Management of financial risk:

The fair value hierarchy 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 receivables and accounts payable and accrued liabilities approximate their carrying values due to the short terms to maturity. The fair value of the promissory note payable approximate its carry value as it is at market interest rates. Cash is measured at fair value using Level 1 inputs.

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

(a) Credit risk:

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

The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk through maintaining its cash with high-credit quality Canadian financial institutions. Non-contractual 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 debt and equity financings. As at December 31, 2016, the Company had a working capital deficiency of \$664,100. The Company continues to rely on

## CAZA GOLD CORP.

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

additional debt and equity funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests.

Items 1.2(iii) and 1.6 provide details of the contractual obligations regarding the promissory note payable to Polygon.

Accounts payable and accrued liabilities are due in accordance with normal terms of trade and are payable in 2017.

(c) Market risk:

The significant market risk exposure to which the Company is exposed is 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, Nicaraguan cordobas and Mexican pesos, mineral property interests which are in Nicaragua and were previously in Mexico, and a portion of its operations are in Nicaragua and were previously 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, 2016, 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			Total
	Held in		Nicaraguan Cordoba	
	United States Dollars	Mexican Pesos		
Cash	\$ 37,017	\$ -	\$ 1,286	\$ 38,303
Receivables and prepaids	-	-	-	-
Accounts payable and accrued liabilities	(311,291)	(224,074)	(13,971)	(549,336)
Promissory note payable	(715,219)	-	-	(715,219)
Net financial assets (liabilities), December 31, 2016	\$ (989,493)	\$ (224,074)	\$ (12,685)	\$ (1,226,252)

Based upon the above net exposure as at December 31, 2016 and assuming all other variables remain constant, a 15% 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 \$183,900 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 cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest

## CAZA GOLD CORP.

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

---

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 the promissory note bear a fixed interest rate.

(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 currently does not have any financial instruments which fluctuate with market prices.

### 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](http://www.sedar.com); and
- (b) is also provided in the Company's audited consolidated financial statements for the years ended December 31, 2016 and 2015.

#### 1.15.2 Outstanding Share Data

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

Changes in the Company's share capital for the year ended December 31, 2016 are as follows:

	Number of Shares	Amount
Balance at December 31, 2015	141,302,005	\$ 21,851,953
Issued:		
Share issue expenses	-	(803)
Balance at December 31, 2016	141,302,005	\$ 21,851,150

On January 25, 2017, the Company issued 7,837,000 common shares at a fair value of \$0.02 per share pursuant to shares for debt settlements with certain former directors and former officers and vendors of the Company. Of the 7,837,000 common shares, 5,337,000 common shares were issued to settle debts of \$266,850 including salaries, legal fees and directors fees payable to former directors and 2.5 million shares as severance to senior officers.

On January 25, 2017, Polygon exercised 1.2 million warrants with an exercise price of \$0.05 for proceeds of \$60,000 and a fair value of \$12,000. Then on March 1, 2017, Polygon exercised another 2.45 million warrants with an exercise price of \$0.05 for proceeds of \$122,500 and a fair value of \$24,500.

## CAZA GOLD CORP.

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

On March 13, 2017, a total of 137,822,549 shares of the Company, representing over 90% of the Company's then issued and outstanding common shares, were deposited under the offer by Royal Road. Royal Road intends to acquire all the remaining shares of the Company pursuant to the compulsory acquisition provisions in Section 300 of the Business Corporations Act (British Columbia). Royal Road also intends to cause the common shares of the Company to be de-listed from the TSX Venture Exchange. Item 1.2(i) provides further details.

At April 28, 2017, there were 152,789,005 common shares issued and outstanding.

At December 31, 2016, the Company had outstanding stock options to purchase an aggregate of 5,115,001 common shares as follows:

	2016	
	Number of Shares	Weighted average exercise price
Outstanding balance, beginning of year	5,925,002	\$0.15
Forfeited	(140,000)	\$0.08
Expired	(670,001)	\$0.39
Outstanding balance, end of year	5,115,001	\$0.12
Exercise price range	\$0.08 - \$0.78	

The Offer by Royal Road resulted in the resignation of all directors, officers and employees of the Company in March 2017, resulting in the cancellation of all outstanding stock options.

At April 28, 2017, there were no outstanding stock options.

At December 31, 2016, the Company had outstanding warrants as follows:

Exercise Prices	Expiry Dates	Outstanding at December 31, 2015	Issued	Exercised	Expired	Outstanding at December 31, 2016
\$0.24	December 13, 2016	20,833,333	-	-	(20,833,333)	-
\$0.30	August 7, 2016	800,000	-	-	(800,000)	-
\$0.05	December 30, 2019	88,160,000	-	-	-	88,160,000
		109,793,333	-	-	(21,633,333)	88,160,000

On January 25, 2017, Polygon exercised 1.2 million warrants with an exercise price of \$0.05 for proceeds of \$60,000 and a fair value of \$12,000. Then on March 1, 2017, Polygon exercised another 2.45 million warrants with an exercise price of \$0.05 for proceeds of \$122,500 and a fair value of \$24,500.

At April 28, 2017, warrants for 84,510,000 common shares remain outstanding.

## **CAZA GOLD CORP.**

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

---

### **1.16 Outlook**

The Company will continue to depend upon debt and 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 mineral property interests 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 programs and mineral property interests 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, if any, 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, if any, programs. The development of the Company's mineral property interests may therefore depend on joint venture partnerships 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 mineral property interests as disclosed herein. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise debt and equity capital financings, the attainment of profitable operations, external financings, and further share issuance to satisfy working capital and operating needs.

## **CAZA GOLD CORP.**

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

---

The Company may have to mainly rely on its controlling shareholder, Royal Road, to inject the capital, by way of private placement debt or equity financings, required to pay for exploration expenditures and administrative expenses. Royal Road has no obligation to participate in any further debt or equity capital injections in the Company. Also, although Polygon has been supportive of the Company's recent financing efforts, there is no assurance that Polygon will provide additional financial contributions to the Company in the future.

### ***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 become 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***

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.

### ***Title Matters***

There is no assurance given by the Company that it owns legal title to certain of its mineral property interests.

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to any of the Company's mining concessions may come under dispute. While the Company has diligently investigated title considerations to its mineral properties, in certain circumstances, the Company has only relied upon representations of property partners and government agencies. There is no guarantee of title to certain of the Company's mineral property interests. The properties may be subject to prior unregistered agreements or transfers, and title may be affected by unidentified and undetected defects. Native land claims or claims of aboriginal title may be asserted over areas in which the Company's mineral property interests are located.

## **CAZA GOLD CORP.**

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

---

### ***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 mineral exploration or mining companies or have significant shareholdings in other public mineral exploration or mining 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***

Mineral exploration and mining and processing operations, if any, involve many risks and hazards, including, among others, metallurgical and other processing problems, unusual and unexpected rock formations, ground or slope failures or underground cave-ins, environmental contamination, industrial accidents, fires, flooding and periodic interruptions due to inclement or hazardous weather conditions or other acts of nature, organized labour disputes or work slow-downs, mechanical equipment failure and facility performance problems, and the availability of critical materials, equipment and skilled labour. These risks could result in damage to, or destruction of, the Company's properties or production facilities, personal injury or death, environmental damage, delays in mining or processing, increased production costs, asset write downs, monetary losses, and legal liability.

The Company cannot be certain that its insurance will cover all of the risks associated with mineral exploration and mining and processing, if any, or that it will be able to maintain insurance to cover these risks at economically feasible premiums. The Company could also become subject to liability for hazards against which it cannot insure or against which the Company may elect not to insure because of high premium costs or commercial impracticality. Such events could result in a prolonged interruption in operations that would have a negative effect on the Company's ability to generate revenues, profits and cash flow. Losses from such events may increase costs and decrease profitability.

### ***Mining is inherently risky and subject to conditions or events beyond the Company's control, which could have a material adverse effect on the Company's business***

Mining involves various types of risks and hazards, including environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structural cave-ins or slides, flooding, fires, power outages, labour disruptions, explosions, landslides and avalanches, mechanical equipment and facility performance problems, availability of materials and equipment, metals losses and periodic interruptions due to inclement or hazardous weather conditions.

These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury or death, including to employees, environmental damage, delays in mining, increased production costs, asset write downs, monetary losses and possible legal liability. The Company may not be able to obtain insurance to cover these risks at



## **CAZA GOLD CORP.**

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

---

economically feasible premiums or at all. Insurance against certain environmental risks, including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from production, is not generally available to the Company or to other companies within the mining industry. The Company may suffer a material adverse impact on its business if it incurs losses related to any significant events that are not covered by its insurance policies.

### ***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. Further, in May 2016, the Company's application for an environmental permit for the Piedra Iman project was denied, which impedes the ability of the Company to proceed with drilling at such project. Item 1.2(ii) provides further details. 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. 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***

The Company's mineral property interests are located in countries outside of Canada, and mineral exploration and mining activities, if any, may be affected in varying degrees by political stability and government regulations relating to the mineral exploration and 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 safety. These uncertainties may make it more difficult for the

## **CAZA GOLD CORP.**

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

---

Company and its joint venture partners to obtain any required exploration and production, if any, financing for its mineral properties.

### ***Currency Fluctuation and Foreign Exchange Controls***

The Company maintains a portion of its funds in U.S. dollar and Nicaraguan Cordoba denominated accounts. Certain of the Company's property and related contracts may be denominated in the U.S. dollar and Nicaraguan cordoba. 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 Canadian dollars and may expose the Company to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results of its operations. 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 may 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.

### ***General economic conditions may adversely affect the Company's growth, future profitability and ability to finance***

The events in global financial markets in the past have had a significant impact on the global economy. Many industries, including the mining industry, are impacted by these market conditions. Specifically, the volatility of metal prices would impact the Company's revenues, profits, losses and cash flow, negative economic pressures could adversely impact demand for the Company's production construction related costs could increase and adversely affect the economics of any of the Company's projects, volatile energy, commodity and consumables prices and currency exchange rates would impact the Company's production costs and the devaluation and volatility of global stock markets would impact the valuation of the Company's equity and other securities.

### ***Third Party Reliance***

The Company's rights to acquire interests in certain mineral property interests have been granted by third parties who themselves may 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, 2016, the Company had 141,302,005 common shares and 5,115,001 share purchase options and 88,160,000 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, 2016, dilutive securities represented approximately 66% of the Company's issued shares. None of these dilutive securities were exercisable at prices below the December 30, 2016 closing market price of \$0.02 for the Company's shares.

### ***The Company may be subject to legal proceedings***

Due to the nature of its business, the Company may be subject to numerous regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of its business. The results of these legal proceedings cannot be predicted with certainty due to the uncertainty inherent in litigation, including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and juries and the possibility that decisions may be reversed on appeal. There can be no assurances that these matters will not have a material adverse effect on the Company's business.

## **CAZA GOLD CORP.**

(An Exploration Stage Company)

Management's Discussion and Analysis

Year ended December 31, 2016

(Stated in Canadian dollars)

---

### ***Increased competition could adversely affect the Company's ability to acquire suitable producing properties or prospects for mineral exploration in the future***

The mining industry is intensely competitive. Significant competition exists for the acquisition of properties producing or capable of producing metals. The Company must compete to acquire additional mining properties with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company or are further advanced in their development or are significantly larger, for the acquisition of mineral claims, leases and other mineral interests. The Company may also encounter increasing competition from other mining companies in its efforts to hire experienced mining professionals. Increased competition could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future. If the Company is unsuccessful in acquiring additional mineral properties or qualified personnel, it will not be able to grow at the rate it desires, or at all.

### ***There can be no assurance that the Company will successfully acquire additional mineral rights***

Most exploration projects do not result in the discovery of commercially mineable ore deposits and no assurance can be given that any particular level of recovery of ore reserves will be realized or that any identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. Moreover, mines have a depleting asset base which needs to be continually renewed. Estimates of reserves, mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. If current exploration programs do not result in the discovery of commercial ore, the Company may need to write-off part or all of its investment in existing exploration stage properties, and may need to acquire additional properties. Material changes in ore reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project.

The Company's future growth and productivity will depend, in part, on its ability to identify and acquire additional mineral rights, and on the costs and results of continued exploration and development programs. Mineral exploration is highly speculative in nature and is frequently non-productive. Substantial expenditures are required to establish ore reserves through drilling and metallurgical and other testing techniques, to determine metal content and metallurgical recovery processes to extract metal from the ore, and to construct, renovate or expand mining and processing facilities.

If the Company does make further acquisitions, any positive effect on the Company's results will depend on a variety of factors, including, but not limited to, assimilating the operations of an acquired business or property in a timely and efficient manner, maintaining the Company's financial and strategic focus while integrating the acquired business or property, achieving identified and anticipated operating and financial synergies, unanticipated costs, diversion of management attention from existing business, potential loss of key employees or key employees of any business acquired, unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition, decline in the value of acquired properties, companies or securities, implementing uniform standards, controls, procedures and policies at the acquired business, as appropriate and, to the extent that the Company makes an acquisition outside of markets in which it has previously operated, conducting and managing operations in a new operating environment.