



**CAZA GOLD CORP.**

**First Quarter Report**

**Condensed Consolidated Interim Financial Statements**

**(stated in Canadian dollars)**

**Three Months ended March 31, 2017**

**(Unaudited – Prepared by Management)**

**Notice of No Auditor Review of  
Unaudited Condensed Consolidated Interim Financial Statements  
For the Three Months Ended March 31, 2017**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these unaudited condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the unaudited condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Caza Gold Corp. (the “Company”) for the three months ended March 31, 2017 (the “Financial Statements”) have been prepared by and are the responsibility of the Company’s management, and have not been reviewed by the Company’s auditors. The Financial Statements are stated in Canadian dollars, unless otherwise indicated, and are prepared in accordance with International Accounting Standards 34 (“IAS 34”) and International Financial Reporting Standards (“IFRS”).

# CAZA GOLD CORP.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

	Notes	March 31, 2017	December 31, 2016
<b>ASSETS</b>	8		
<b>Current Assets</b>			
Cash		\$ 30,272	\$ 39,896
Receivables and prepaids		11,192	17,274
<b>Total Current Assets</b>		<b>41,464</b>	57,170
<b>Non-Current Assets</b>			
Mineral property interests	6 and 10	3,298,126	3,214,601
Equipment	7	1,023	21,827
<b>Total Non-Current Assets</b>		<b>3,299,149</b>	3,236,428
<b>Total Assets</b>		<b>\$ 3,340,613</b>	\$ 3,293,598
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	10	\$ 339,541	\$ 721,265
<b>Non-Current Liabilities</b>			
Promissory note payable	8	726,383	715,219
Loan due to parent		58,850	-
<b>Total Non-Current Liabilities</b>		<b>785,233</b>	715,219
<b>Total Liabilities</b>		<b>1,124,774</b>	1,436,484
<b>Shareholders' Equity</b>			
Share capital	9(b)	22,226,890	21,851,150
Reserve for share-based payments		845,100	1,263,565
Deficit		(20,856,151)	(21,257,601)
<b>Total Shareholders' Equity</b>		<b>2,215,839</b>	1,857,114
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 3,340,613</b>	\$ 3,293,598

Refer to the accompanying notes to the condensed consolidated interim financial statements.

# CAZA GOLD CORP.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

		Three Months ended March 31,	
	Notes	2017	2016
<b>Expenses:</b>			
Accounting		\$ 30,002	\$ 17,502
Amortization		1,166	2,908
Employee and director remuneration	10	66,127	50,786
Legal	10	14,992	1,001
Office and sundry	10 and 11	18,626	19,901
Property investigation	10 and 11	-	3,455
Regulatory		12,480	4,429
Share-based (recovery) payments	9(c) and 10	(19,080)	24,984
<b>Loss before the undernoted</b>		<b>(124,313)</b>	<b>(124,966)</b>
Foreign exchange (loss) gain		(7,183)	7,310
Interest income		-	232
Interest and finance charges		(17,982)	-
Loss on disposition of equipment		(10,186)	(1,318)
Gain on debt settlement		198,229	-
<b>Net income (loss) and comprehensive income (loss) for the period</b>		<b>\$ 38,565</b>	<b>\$ (118,742)</b>
<b>Basic and diluted earnings (loss) per share</b>		<b>\$ -</b>	<b>\$ -</b>
<b>Weighted average number of common shares outstanding</b>		<b>148,645,393</b>	<b>141,302,005</b>

Refer to the accompanying notes to the condensed consolidated interim financial statements.

# CAZA GOLD CORP.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

	Notes	Share Capital		Reserve for Share-Based Payments	Deficit	Total
		Number of Shares	Amount			
Balance, December 31, 2016		141,302,005	\$ 21,851,150	\$ 1,263,565	\$ (21,257,601)	\$ 1,857,114
Shares for debt settlements		7,837,000	156,740	-	-	156,740
Share-based recovery		-	-	(19,080)	-	(19,080)
Expiry and cancellation of stock options	9(c)	-	-	(362,885)	362,885	-
Exercise of warrants	9(b)	3,650,000	219,000	(36,500)	-	182,500
Net income for the period		-	-	-	38,565	38,565
Balance, March 31, 2017		152,789,005	\$ 22,226,890	\$ 845,100	\$ (20,856,151)	\$ 2,215,839
Balance, December 31, 2015		141,302,005	\$ 21,851,953	\$ 1,407,299	\$ (13,728,727)	\$ 9,530,525
Share issue expenses		-	(1,849)	-	-	(1,849)
Share-based payments		-	-	24,984	-	24,984
Net loss for the period		-	-	-	(118,742)	(118,742)
Balance, March 31, 2016		141,302,005	\$ 21,850,104	\$ 1,432,283	\$ (13,847,469)	\$ 9,434,918

Refer to the accompanying notes to the condensed consolidated interim financial statements.

# CAZA GOLD CORP.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

	Three Months ended March 31,	
	2017	2016
<b>Cash provided from (used by):</b>		
<b>Operations:</b>		
Net income (loss) for the period	\$ 38,565	\$ (118,742)
Items not involving cash:		
Amortization	1,166	2,908
Accrued interest	17,982	-
Unrealized foreign exchange (gain) loss	(6,369)	2,745
Share-based (recovery) payments	(19,080)	24,984
Loss on disposition of equipment	10,186	1,318
Gain from debt settlement	(198,229)	-
	(155,779)	(86,787)
Changes in non-cash working capital items:		
Receivables and prepaids	6,082	(3,413)
Accounts payable and accrued liabilities	18,287	30,447
Cash used by operating activities	(131,410)	(59,753)
<b>Financing:</b>		
Loan from parent company	58,850	-
Exercise of warrants	182,500	-
Share issue expenses	-	(1,849)
Cash provided from (used by) financing activities	241,350	(1,849)
<b>Investing:</b>		
Mineral property interests, net of recoveries	(128,567)	(190,462)
Proceeds from disposition of equipment	9,452	22,779
Cash used by investing activities	(119,115)	(167,683)
<b>Foreign exchange loss on cash held in foreign currency</b>	<b>(449)</b>	<b>(2,745)</b>
<b>Decrease in cash</b>	<b>(9,624)</b>	<b>(232,030)</b>
Cash, beginning of period	39,896	364,756
<b>Cash, end of period</b>	<b>\$ 30,272</b>	<b>\$ 132,726</b>

Refer to the accompanying notes to the condensed consolidated interim financial statements.

# CAZA GOLD CORP.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Cash Flows (continued)

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

		Three Months ended March 31,	
	Notes	2017	2016
<b>Non-cash financing and investing activities:</b>			
Accrual for mineral property interests		\$ 21,986	\$ 192,537
Issuance of common shares:			
Debt settlement	9(b)	156,740	-
Fair values from the exercise of:			
Warrants	9(b)	36,500	-
Fair values from the expiration of:			
Stock options	9(c)	362,885	-
Interest paid		-	-
Income taxes paid		-	-

Refer to the accompanying notes to the condensed consolidated interim financial statements.

# CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2017

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

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## 1. Nature of Operations and Going Concern

Caza Gold Corp. (the “Company”) was incorporated on November 15, 2007 under the laws of British Columbia, Canada. The address of the Company’s registered office is #1040 – 999 West Hastings Street, Vancouver, BC, Canada, V6C 2W2 and its principal place of business is Ground Floor, 4 Wharf Street St., Helier, Jersey, JE2 3NR.

On December 5, 2016 as amended January 6, 2017, the Company entered into a Support Agreement (the “Support Agreement”) with Royal Road Minerals Limited (“Royal Road”) whereby Royal Road made an offer to acquire all the issued and outstanding shares of the Company on the basis of 0.16 common share of Royal Road for each common share of 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). Royal Road also intends to cause the common shares of the Company to be delisted from the TSX Venture Exchange.

The Company is in the mineral exploration business and has not yet determined whether its properties contain reserves. The recoverability of amounts capitalized for mineral property interests is dependent upon the ability of the Company to arrange appropriate financing as needed, the discovery of reserves, the development of its properties, confirmation and maintenance of the Company’s interest in the underlying properties, the receipt of necessary permitting and upon future profitable production or proceeds from the disposition thereof.

The Company has no operating revenues, has realized nominal net income of \$38,565 for the three months ended March 31, 2017 but had previously incurred significant net losses of approximately \$7.7 million for the year ended December 31, 2016, and has a deficit of approximately \$20.9 million as at March 31, 2017 (December 31, 2016 - \$21.3 million). Furthermore, the Company has a working capital deficiency of approximately \$298,100 (December 31, 2016 – \$664,100). These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent on the ability of the Company to raise debt or equity financings, the attainment of profitable operations, or obtaining financial support from Royal Road. Management would need additional capital to meet its planned business objectives. There can be no assurance that management’s plans will be successful. These matters indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. These condensed consolidated interim financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.



# CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2017

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

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## 2. Basis of Presentation

### (a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and the interpretations of the International Financial Reporting Standards Interpretations Committee. These unaudited condensed consolidated interim financial statements do not include all of the information and disclosures required for full and complete annual financial statements, and accordingly should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2016. The Company has consistently applied the same accounting policies for all periods as presented. Certain of the prior periods’ comparative figures may have been reclassified to conform to the presentation adopted in the current period.

### (b) Approval of condensed consolidated interim financial statements:

These condensed consolidated interim financial statements were approved by the Company’s Board of Directors on May 30, 2017.

### (c) Basis of presentation:

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, as disclosed in Note 5. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

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

- monetary assets and liabilities at the exchange rate at the condensed consolidated interim statement of financial position date;
- non-monetary assets and liabilities at the historical exchange rates, unless such items are carried at fair value, in which case they are translated at the date when the fair value was determined;
- shareholders’ equity items at historical exchange rates; and
- revenue and expense items at the rate of exchange in effect on the transaction date.

Exchange gains and losses are recorded in profit or loss in the period in which they occur.

# CAZA GOLD CORP.

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Notes to the Condensed Consolidated Interim Financial Statements

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## 2. Basis of Presentation (continued)

### (e) Critical accounting estimates and judgements: (continued)

The preparation of the condensed consolidated interim 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, if any, and expenses during the period. Actual results may differ from these estimates and, as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests; the determination of accrued liabilities; accrued site remediation; the variables used in the determination of the fair values of stock options granted 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 financial performance and cash flows.

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

The Company applies judgment in assessing the functional currency of each entity consolidated in these condensed consolidated interim financial statements. The functional currency of the Company and its subsidiaries is determined using the currency of the primary economic environment in which that entity operates.

At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as: the period for which the Company has the right to explore; expected renewals of exploration rights; whether substantive expenditures on further exploration and evaluation of resource properties are budgeted or planned; and results of exploration and evaluation activities on the exploration and evaluation assets. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

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Three months ended March 31, 2017

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## 2. Basis of Presentation (continued)

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

The standards listed below include only those which the Company reasonably expects may be applicable to the Company in the current period and at a future date. The Company is currently assessing the impact of these future standards on the consolidated financial statements.

#### (i) The following standard became effective in the current period:

*Disclosure Initiative (Amendments to IAS 1 Presentation of Financial Statements)*

The amendments:

- Clarify the existing presentation and disclosure requirements in IAS 1, including the presentation of line items, subtotals and notes; and
- Provide guidance to assist entities to apply judgment in determining what information to disclose, and how that information is presented in their financial statements.

The change had no effect to these condensed consolidated interim financial statements.

#### (ii) The following standards will become effective in future periods:

**Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)**

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments are applicable to the Company's annual period beginning January 1, 2017.

**Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 Income Taxes)**

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The amendments are applicable to the Company's annual period beginning January 1, 2017.

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(An Exploration Stage Company)

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(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

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## 2. Basis of Presentation (continued)

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

(ii) The following standards will become effective in future periods: (continued)

### **Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 *Share-based Payment*)**

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are applicable to the Company's annual period beginning January 1, 2018.

### **IFRS 9 *Financial Instruments***

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*

Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

- *Classification and measurement of financial liabilities:*

When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

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## 2. Basis of Presentation (continued)

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

(ii) The following standards will become effective in future periods: (continued)

### **IFRS 9 *Financial Instruments*** (continued)

- *Impairment of financial assets:*

An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at “amortized cost” or “fair value through other comprehensive income”, lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- *Hedge accounting:*

Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

The standards are applicable to the Company’s annual period beginning January 1, 2018.

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(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

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## 2. Basis of Presentation (continued)

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

#### (ii) The following standards will become effective in future periods: (continued)

##### **IFRS 16 Leases**

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*.

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is applicable to the Company's annual period beginning January 1, 2019.

# CAZA GOLD CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2017

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

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## 3. Significant Accounting Policies

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

### (a) Basis of consolidation:

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

All significant intercompany transactions and balances have been eliminated.

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

### (b) Financial instruments:

#### (i) Financial assets:

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

#### *Financial assets at FVTPL*

Financial assets at FVTPL include derivative financial asset, and are initially recognized at fair value with changes in fair value recorded through profit or loss.

#### *Loans and receivables*

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

#### *Held to maturity*

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company’s management has the positive intention and ability to hold to maturity. HTM investments are initially recognized on their trade-date at fair value, and subsequently measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

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(An Exploration Stage Company)

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(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

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## 3. Significant Accounting Policies (continued)

### (b) Financial instruments: (continued)

#### (i) Financial assets: (continued)

##### *Available-for-sale financial assets*

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

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

#### (ii) Financial liabilities:

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

##### *Financial liabilities at FVTPL*

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

Derivatives are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit or loss.

##### *Other financial liabilities*

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



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Three months ended March 31, 2017

(Unaudited – Prepared by Management)

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## 3. Significant Accounting Policies (continued)

### (b) Financial instruments: (continued)

#### (iii) Fair value hierarchy:

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

#### (iv) Impairment of financial assets:

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

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

#### (v) Derecognition of financial assets and liabilities:

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

# CAZA GOLD CORP.

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Three months ended March 31, 2017

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

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## 4. Management of Capital

The Company is an exploration stage company and its activities involve a high degree of risk. The Company has not yet determined whether its mineral property interests contain reserves and currently has not earned any revenues from its mineral property interests and does not generate cash flows from operations. The Company's primary sources of funds are from debt capital and the issuance of share capital.

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

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

Management reviews the capital availability and needs on a regular basis to ensure the above-noted objectives are met. There have been no changes to the Company's approach to capital management during the three months ended March 31, 2017.

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

As at March 31, 2017, the Company was not subject to any externally imposed capital requirements.

## 5. Financial Instruments and Management of Financial Risk

The Company has classified its cash as FVTPL; receivables as loans and receivables; and accounts payable and accrued liabilities and promissory note payable and loan due to parent as other financial liabilities.

The fair values of the Company's receivables and accounts payable and accrued liabilities and loan due to parent approximate their carrying values due to the short terms to maturity. The fair value of the promissory note payable approximate its carrying 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 as follows.

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

### (a) Credit risk:

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

The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality Canadian financial institutions. Non-contractual taxes receivables from government agencies are not considered financial instruments.

Management has reviewed the items comprising the accounts receivable balance, and determined that all accounts are collectible; accordingly, there has been no allowance for doubtful accounts recorded.

### (b) Liquidity risk:

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

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise debt and equity financings. As at March 31, 2017, the Company had a working capital deficiency of approximately \$298,100 (December 31, 2016 – \$664,100). The Company will require significant additional funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests in 2017.

The following schedule provides the contractual obligations related to the promissory note payable (Note 8) as at March 31, 2017:

	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>	-	-	-	-	-	45,475	-	45,475	-	-
Interest <sup>(1)</sup>	-	-	-	-	-	127,071	56,627	70,444	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 672,546</b>	<b>\$ 56,627</b>	<b>\$ 615,919</b>	<b>\$ -</b>	<b>\$ -</b>

<sup>(1)</sup> The Company has the option to add unpaid interest to the principal of the promissory note. Interest payable on the due dates thereof has been accrued and included in the principal.

On January 19, 2017, the maturity date was extended from May 13, 2018 to May 13, 2019 (Note 8).

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

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

### (c) Market risk:

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

#### (i) Foreign currency risk:

The Company has certain cash, receivables, accounts payable and promissory note 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 March 31, 2017, 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	\$ 13,263	\$ -	\$ 912	\$ 14,175
Receivables	-	-	5,930	5,930
Accounts payable and accrued liabilities	(16,412)	(244,106)	(6,012)	(266,530)
Promissory note payable	(726,383)	-	-	(726,383)
Net financial assets (liabilities), March 31, 2017	\$ (729,532)	\$ (244,106)	\$ 830	\$ (972,808)
Cash	\$ 37,017	\$ -	\$ 1,286	\$ 38,303
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 March 31, 2017 and assuming all other variables remain constant, a 15% (December 31, 2016 – 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 \$145,900 (December 31, 2016 - \$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.

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

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

#### (ii) Interest rate risk:

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

## 6. Mineral Property Interests

	Three months ended March 31, 2017		
	Nicaragua		Total
	Los Andes	Other	
<b>Acquisition Costs:</b>			
Balance, December 31, 2016	\$ 520,932	\$ 15,380	\$ 536,312
Additions	-	-	-
Balance, March 31, 2017	520,932	15,380	536,312
<b>Deferred Exploration Expenditures:</b>			
Balance, December 31, 2016	2,245,724	432,565	2,678,289
Geology	1,167	-	1,167
Salaries and local labour	26,782	-	26,782
Sundry	4,089	-	4,089
Surface/concession taxes	13,501	62,131	75,632
Transportation and travel	(24,238)	93	(24,145)
Balance, March 31, 2017	2,267,025	494,789	2,761,814
<b>Mineral Property Interests:</b>			
December 31, 2016	\$ 2,766,656	\$ 447,945	\$ 3,214,601
March 31, 2017	\$ 2,787,957	\$ 510,169	\$ 3,298,126

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## 6. Mineral Property Interests (continued)

	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
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

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## 6. Mineral Property Interests (continued)

### (a) Los Andes property (Nicaragua):

In December 2014, the Company entered into a Purchase Agreement with Inversiones Ecologicas S.A. (“Inecosa”), which shared a common former 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” 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 acquisition of the Company by Royal Road established a recoverable value for the assets of the Company and identified an indicator of impairment. In 2016, the Company wrote-down the value of its mineral property interests to \$3.2 million to reflect the valuation of Royal Road’s offer to acquire all the issued and outstanding common shares of the Company on the basis of 0.16 common share of Royal Road for each common share of the Company, representing a Level 2 fair value assessment of the mineral property assets (Note 9(b)).

### (b) Title to mineral property interests:

The Company has investigated rights of ownership of all of its mineral properties/concessions and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, all properties/concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

### (c) Realization of assets:

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

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## 6. Mineral Property Interests (continued)

### (d) Environmental matters:

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

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

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

## 7. Equipment

	Vehicles	Office Equipment	Total
<b>Cost:</b>			
Balance, December 31, 2015	\$ 57,497	\$ 13,762	\$ 71,259
Add: Acquisitions	-	-	-
Less: Disposition and write-off	(28,991)	(7,920)	(36,911)
Balance, December 31, 2016	28,506	5,842	34,348
Less: Disposition and write off	(28,506)	-	(28,506)
Balance, March 31, 2017	-	5,842	5,842
<b>Accumulated amortization:</b>			
Balance, December 31, 2015	\$ 6,959	\$ 7,949	\$ 14,908
Add: Amortization	6,327	3,169	9,496
Less: Disposition and write-off	(4,895)	(6,988)	(11,883)
Balance, December 31, 2016	8,391	4,130	12,521
Add: Amortization	481	685	1,166
Less: Disposition and foreign exchange	(8,872)	4	(8,868)
Balance, March 31, 2017	-	4,819	4,819
<b>Net book value:</b>			
Balance, December 31, 2016	\$ 20,115	\$ 1,712	\$ 21,827
Balance, March 31, 2017	\$ -	\$ 1,023	\$ 1,023



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## 8. Promissory Note Payable

In May 2016, the Company closed a loan agreement with Polygon Mining Opportunity Master Fund (“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 initial 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.

Polygon is 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.

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	Promissory Note
Balance, December 31, 2015	\$ -
Add:	
Proceeds from loans	671,350
Interest or accretion	43,133
Foreign exchange	736
Balance, December 31, 2016	715,219
Add:	
Interest or accretion	17,982
Foreign exchange	(6,818)
Balance, March 31, 2017	\$ 726,383

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## 9. Share Capital

### (a) Authorized:

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

### (b) Issued:

On December 5, 2016 as amended January 6, 2017, the Company entered into the Support Agreement with Royal Road whereby Royal Road made an offer to acquire all the issued and outstanding shares of the Company on the basis of 0.16 common share of Royal Road for each common share of 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. In May 2017, Royal Road completed its compulsory acquisition of all the remaining outstanding shares of the Company.

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 2,500,000 common shares were issued as severance to former senior officers.

On January 25, 2017, Polygon exercised 1,200,000 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 2,450,000 warrants with an exercise price of \$0.05 for proceeds of \$122,500 and a fair value of \$24,500.

### (c) Stock option plan:

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

The continuity of stock options for the three months ended March 31, 2017 is as follows:

	March 31, 2017	
	Number of Shares	Weighted Average Exercise Price
Outstanding balance, beginning of period	5,115,001	\$0.12
Forfeited	(793,000)	\$0.09
Cancelled and expired	<u>(4,322,001)</u>	\$0.13
Outstanding balance, end of period	-	n/a

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## 9. Share Capital (continued)

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

There were no stock options outstanding at March 31, 2017.

During the three months ended March 31, 2017, the Company recognized share-based recovery of \$19,080 (March 31, 2016 – share based payments of \$24,984) based on the fair value of stock options that were earned by the provision of services during the period. Share-based payments are segregated between directors and officers, employees and consultants as follows:

	March 31,	
	2016	2016
Directors (excludes directors who are officers)	\$ -	\$ 2,712
Officers (includes directors who are officers)	(16,873)	18,757
Employees	(683)	919
Consultants	(1,524)	2,596
Share-based (recovery) payments	\$ (19,080)	\$ 24,984

There were no stock options granted in 2017 and 2016.

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

All stock options were forfeited and cancelled in March 2017 due to the resignations of all directors, officers, employees and consultants of the Company.

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## 9. Share Capital (continued)

### (d) Warrants:

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

Exercise Prices	Expiry Dates	Outstanding at December 31, 2016	Issued	Exercised	Expired	Outstanding at March 31, 2017
\$0.05	December 30, 2019 <sup>(1)</sup>	88,160,000	-	(3,650,000)	-	84,510,000
		88,160,000	-	(3,650,000)	-	84,510,000

<sup>(1)</sup> On December 30, 2014, the Company closed a private placement with Polygon for 88.16 million units at \$0.05 per unit for gross proceeds of \$4.4 million. Each unit was comprised of one common share and one share purchase warrant. Of the \$0.05 unit price, \$0.04 was allotted to common shares representing the fair value of the common shares on that date and \$0.01 was allotted to warrants, resulting in a corresponding increase in the reserve for share-based payments. On January 25, 2017, 1.2 million warrants were exercised and then on March 1, 2017, 2.45 million warrants were exercised.

### (e) Common shares reserved for issuance at March 31, 2017:

	Number of Shares
Stock options (Note 9(c))	-
Warrants (Note 9(d))	84,510,000
Common shares reserved for issuance	84,510,000

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## 10. Related Party Transactions

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

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

	Three months ended March 31,		Net balance receivable (payable)	
	2017	2016	March 31, 2017	December 31, 2016
Key management compensation:				
Executive salaries and remuneration <sup>(1), (5), (6)</sup>	\$ 10,997	\$ 135,037	\$ -	\$ (267,222)
Severance pay <sup>(6)</sup>	50,000	-	-	-
Directors fees <sup>(2), (6)</sup>	-	12,000	-	(83,330)
Share-based (recovery) payments	(16,873)	21,469	-	-
	<u>\$ 44,124</u>	<u>\$ 168,506</u>	<u>\$ -</u>	<u>\$ (350,552)</u>
Legal fees incurred to a law firm in which a director of the Company is a partner <sup>(3), (6)</sup>	<u>\$ -</u>	<u>\$ 5,492</u>	<u>\$ -</u>	<u>\$ (18,485)</u>
Net office, sundry, rent and salary allocations recovered from (incurred to) company(s) sharing certain common director(s) <sup>(4)</sup>	<u>\$ -</u>	<u>\$ 57</u>	<u>\$ -</u>	<u>\$ -</u>
Gain on debt settlement <sup>(6)</sup>	<u>\$ 188,029</u>	<u>\$ -</u>		

(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.

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## 10. Related Party Transactions (continued)

- (5) Pursuant to an employment agreement, a portion of a former senior officer's remuneration was payable in common shares of the Company.
- (6) On January 25, 2017, the Company issued 7,597,000 common shares at a fair value of \$0.02 per share pursuant to shares for debt settlements with certain former directors and former officers of the Company for salaries and severance payable, directors fees payable, and legal services rendered. In 2016, the Company derecognized certain directors' fees payable.

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

Transactions with Inecosa are provided in Note 6(a), with Polygon in Notes 8 and 9(b), and shares-for-debt settlements in Note 9(b).

## 11. Office and Sundry and Property Investigation

	March 31,	
	2017	2016
Office and Sundry:		
Insurance	\$ 2,965	\$ 6,385
Office and sundry	10,197	5,569
Rent	4,277	5,945
Telecommunications	1,187	2,002
	<u>\$ 18,626</u>	<u>\$ 19,901</u>
Property Investigation:		
Office and sundry	\$ -	\$ 854
Transportation and travel	-	2,601
	<u>\$ -</u>	<u>\$ 3,455</u>

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# CAZA GOLD CORP.

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## 12. Segment Disclosures

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

	March 31, 2017			December 31, 2016		
	Canada	Nicaragua	Total	Canada	Nicaragua	Total
Mineral property interests	\$ -	\$ 3,298,126	\$ 3,298,126	\$ -	\$ 3,214,601	\$ 3,214,601
Equipment	-	1,023	1,023	-	21,827	21,827

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