MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion is management's analysis of Azteca Gold Corp.'s operating and financial data for the years ended December 31, 2007 and 2006 as well as management's estimates of future operating and financial performance based on information currently available. It should be read in conjunction with the audited consolidated financial statements and notes for the years ended December 31, 2007 and 2006. The Management's Discussion and Analysis was prepared as of April 29, 2008. Additional information relating to Azteca can be found at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis contains forward-looking information as contemplated by Canadian securities regulators' Form 51-102F1, also known as forward-looking statements. All estimates and statements that describe the Company's objectives, goals or future plans are forward-looking statements. Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Company and described in forward-looking statements. The Company assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change, except as required by law.

RESPONSIBILITY OF MANAGEMENT

The preparation of the financial statements, including the accompanying notes, is the responsibility of management. Management has the responsibility of selecting the accounting policies used in preparing the financial statements. In addition, management's judgment is required in preparing estimates contained in the financial statements.

2007 OVERVIEW

The Company is a development stage company engaged in the acquisition and exploration of mineral properties. The Company's main focus is on exploration for gold and silver in Mexico and the United States.

1. On January 12, 2007, an arms length binding Letter of Intent was signed with MSM Resources for 100% interest in the Marietta Mining District of Mineral County Nevada. As described below, the Company went on to pay US $150,000 and 5,500,000 common shares at a deemed price of $0.45 per share for a 100% stake in the Marietta property.

2. On February 25, 2007, the Company signed an agreement with Ejido Guerra al Tirano for land access to the Company's three mining concessions: Guerra al Tirana, Reyna de Oro, and Tres de Mayo. The Company must make payments of US $10,000 per year for the first 3 years, US $35,000 in years 4 and 5, US $50,000 in years 6 through 15, and US $100,000 per year for year 16 and onward.

3. On March 14, 2007 the Company paid US $250,000 as a non-refundable deposit under a Memorandum of Understanding with Jesus Quintana of Temoris, Mexico, representative for the owners of the Matilde mineral concessions in Matilde, Chihuahua, Mexico, for the exclusive right to put in place an Option to Purchase agreement for the Matilde concessions. The Option to Purchase Agreement, if signed, would allow Minera to purchase the Matilda Concessions in Mexico which total approximately 2,677 hectares, for total payments of US $10,000,000 and 5,000,000 shares over 2.5 years. The Vendors would receive a surcharge on equivalent gold ounces according to the formula: $10 per ounce ("oz") of gold ("Au") equivalent cash payment to be made within 90 days of the publication of an independent bankable feasibility on the project that identifies greater than 1 million oz of Au equivalent, payment to be made based on the amount of Au equivalent reserves above 1 million ounces and to be based on a base gold price above $400/oz Au based on the following sliding scale:

    If Au > $400/oz but less than $500/oz, payment is $10/oz.

    If Au > $500/oz but less than $600/oz, payment is $15/oz.

    If Au > $600/oz but less than $700/oz, payment is $20/oz.

    If Au > $700/oz, payment is $25/oz.

    The sliding scale continues in the same series, for Au > $800/oz, for every $100/oz increase in the annual average of gold, an additional $5/equivalent oz Au shall be added to the payment.

    As described below, the Company has signed a formal agreement for the Matilde concessions.

4. On March 19, 2007 the Company completed a private placement of 4,875,000 units for $0.36 per unit, each unit consisting of one share and one half purchase warrant for total proceeds of $1,755,000 US. Each warrant has a two year term and is exercisable at $0.50 per share.

5. On March 21, 2007 the Company paid US $100,000 as a non-refundable deposit under a Letter of Intent with The New Bunker Hill Mining Company of Kellogg, Idaho for the exclusive right to put in place an Option to Purchase agreement. As described below, the Company has signed an Option to Purchase agreement.

6. On March 26, 2007, 1,300,000 options were issued to employees and consultants.

7. On March 28, 2007 a drilling contract was awarded by the Company to M2 Technical Services, Inc. of South Jordon, Utah ("M2") by Mexican subsidiary Minera Azteca de Oro y Plata de S.A. de C.V. for Azteca's Guerra al Tirano Project. Minera Azteca is supplying the drill rig and M2 is supplying personnel and consumables at time and materials.

8. On March 30, 2007 and April 11, 2007 all remaining shares and warrants held in the marketable securities were sold for total proceeds of US $3,435,936.

9. On April 3, 2007 the Company's Mexican subsidiary Minera de Oro y Plata de S.A. de C.V purchased from M2 Technical Services for US $400,000 a Boart Longyear 44 diamond drill rig including drill rods, transport to El Paso, TX and refurbishment. This was a provision of a drilling contract with M2 Technical Services requiring that the drill rig used in Mexico by their personnel be owned by the Company's subsidiary.

10. On May 10, 2007 regulatory approval was achieved on the Marietta 43-101 Technical Report. The purchase of Marietta was completed on June 12, 2007. As described below, the Company finished due diligence work and announced the Marietta purchase in a news release on September 7, 2007.

11. On July 25, 2007 the Company completed a private placement of 22,250,661 deposit receipts, for gross proceeds of US $9,367,528. On August 31, 2007 the deposit receipts were converted into one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one common share for US $0.70 until August 31, 2009. As described below, the Company entered into an Option to Purchase agreement for the Bunker Hill Mine.

12. On July 3, 2007 the Company purchased a Boart Longyear LF 90 trailer mounted diamond drill rig with tooling for US $413,319.

13. On July 31, 2007, 1,000,000 options were issued to an employee.

14. On August 14, 2007, the Company entered into an arms-length joint venture agreement (the "Two Mile Joint Venture") in respect to the Silver Valley Two Mile Property located in Shoshone County, Idaho. The Two Mile Property is owned by Silver Royal Apex, Inc. of Wallace, Idaho and is comprised of 118 unpatented claims. Recent geophysical work has identified several potential sulfide targets which will be the focus of a diamond drill exploration program for primarily silver by the Two Mile Joint Venture. The Company paid US $250,000 on signing and has agreed to spend up to US $2,500,000 over 30 months in order to earn a 50% interest in these claims.

15. On August 28, 2007, 50,000 options were issued to a consultant.

16. On August 30, 2007 the Company announced that it had signed an arms-length option agreement (the "Bunker Option") in respect to the Bunker Hill Mine property located in Kellogg, Idaho. The mine is currently owned by the New Bunker Hill Mining Company of Kellogg, Idaho. The Bunker Option gives Azteca Gold Corp. the exclusive right to purchase 100% interest in the mine with no residual royalty. The Company paid US $4,000,000 on signing of the Option Agreement and has agreed to continue to pay $100,000 per month until it either drops or exercises the option. The final exercise price is US $46,000,000, which must be exercised on or before March 20, 2008. Funds from the recently announced deposit receipt financing were used for payment. This signing also triggers the conversion of the deposit receipts into shares and warrants on the basis as previously announced. The Bunker Hill Mine property comprises 518 patented mining claims covering approximately 6,500 acres. Historic production, as reported in internal reports and records from previous operators, at the Bunker Hill Mine is approximately 35.8 million tons grading average 8.76% lead, 3.67% zinc and 4.52 oz silver. There are no current reserve or resource estimates for the Bunker Hill Mine that are NI 43-101 compliant

17. On August 31, 2007, 297,365 sponsor options were issued.

18. On September 6, 2007, 1,500,000 options were issued to employees and consultants.

19. On September 7, 2007 the Company announced it had completed the arms-length purchase of a 100% interest in the Marietta property, which consists of approximately 122 patented and unpatented claims located in Mineral County in Nevada. On the 13 patented claims there is a 1% NSR royalty. The Company paid US $150,000 in cash and issued a total of 5,500,000 common shares at a deemed price of $0.45 per share. These shares are subject to a hold period ending January 12, 2008. The Company has received an independent technical report, compliant with NI 43-101, on this property from Edward Brennan of Brisbane, Australia, which is available on SEDAR and the Company website.

20. On September 14, 2007 the Company purchased a Boart Longyear LF 70 trailer mounted diamond drill rig with tooling and drill steel for US $655,000.

21. On September 19, 2007 the Company announced it had signed an agreement with Layne de Mexico, S.A. de C.V. for 5,000 meters of reverse circulation (RC) drilling to begin at GAT September 24, 2007. The value of the contract is approximately US $300,000.

22. On September 25, 2007, 1,250,000 options were issued to employees and consultants.

23. On November 9, 2007 the Company announced that it, through its wholly owned Mexican subsidiary, entered into an arms-length agreement (the "Agreement") of transfer of ownership of the Santa Matilde Mineral Concessions (the "Matilde Concessions") located on and surrounding the town of Santa Matilde, Chihuahua about 20 kilometers to the southwest of the regional mining town of Temoris, Chihuahua. The Agreement remains subject to the approval of the TSX Venture Exchange, regulatory approval, and formal registration of the Agreement by Mexican authorities. The Company's flagship exploration project Guerra al Tirano is located nearby, 9 kilometers to the northwest of Temoris. The Matilde Concessions stretch approximately 7.5 kilometers north to south and cover approximately 2,677 hectares, and contain several historic workings. This acquisition would see the Company make the following option payments: (a) US $250,000 was paid at the signing of the Memorandum of Understanding; (b) US $200,000 was paid on the signing of the formal Option to Purchase; (c) US $300,00 was paid before September 30, 2007; (d) US $750,000 no later than March 7, 2008; (e) US $1,000,000 no later than June 30, 2008; (f) US $2,000,000 no later than December 30, 2008; (g) US $2,500,000 to be paid no later than June 30, 2009; (h) US $3,000,000 to be paid no later than December 30, 2009. In addition the Company will issue 1,500,000 shares now, which are subject to a 4 month hold period, and a further 3,500,000 shares upon successful completion of an exploration, development and exploitation agreement with the local ejido having jurisdiction over the Matilde Concessions. The Vendors will receive a surcharge on equivalent gold ounces according to the formula: $10 per ounce (“oz”) of gold (“Au”) equivalent cash payment to be made within 90 days of the publication of an independent bankable feasibility on the project that identifies greater than 1 million oz of Au equivalent, payment to be made based on the amount of Au equivalent reserves above 1 million ounces and to be based on a base gold price above $400/oz Au based on the following sliding scale:

If Au > $400/oz but less than $500/oz, payment is $10/oz.

If Au > $500/oz but less than $600/oz, payment is $15/oz.

If Au > $600/oz but less than $700/oz, payment is $20/oz.

If Au > $700/oz, payment is $25/oz.

The sliding scale continues in the same series, for Au > $800/oz, for every $100/oz increase in the annual average of gold, an additional $5/equivalent oz Au shall be added to the payment. The board will review the project prior to the June 30, 2008 payment being made, or at such earlier time as management may request.

The Company has received an independent report compliant with NI 43-101 dated June 20, 2007 on the property from Edward Brennan of Brisbane, Australia, which is available on SEDAR.

25. On November 11, 2007, 103,291 sponsor options were issued.

26. On November 30, 2007 the Company purchased a Boart Longyear 230 Diamond Drill Rig for $697,600.

SELECTED ANNUAL INFORMATION

For the year ended December 31,		**2007**		2006		2005
Net loss from operations	**$**	**4,359,230**	$	249,188	$	44,810
Net loss from operations on a Per share basis		**0.040**		0.008		0.001
Net loss		**2,249,023**		184,018		44,318
Net loss on a Per share basis		**0.021**		0.006		0.001
Capital expenditures, net		**17,390,885**		1,230,869		333,971
Total Assets		**25,640,440**		4,869,163		392,295
Advances from shareholders		**236,396**		30,922		433,507

RESULTS OF OPERATION

The Company incurred a net loss of $2,249,023 during the year ended December 31, 2007 compared with a loss of $184,018 during the year ended December 31, 2006.

Net Loss from Operations

In 2007 net loss from operations was $4,359,230 compared to $249,188 in 2006, resulting in an increase of $4,110,042. This change reflects the increase in activity due to the acquisition of the Company's substantial property holdings as well as the increase in stock-based compensation expense which totaled $2,288,407 in 2007 compared to $121,890 in 2006. The following table itemizes the net loss from operations for the year ended December 31, 2007 with 2006 comparatives.

CONSOLIDATED SCHEDULE OF NET LOSS FROM OPERATIONS

For the year ended December 31,	**2007**	2006
Stock based compensation	$2,288,407	$121,890
Management fees	633,056	26,707
General and Administrative	597,042	16,323
Depreciation	355,080	--
Professional fees	280,194	69,613
Listing fees and agent fee	132,363	949
Shareholder reporting	70,755	12,437
Interest and penalties	2,333	1,269
Total Administrative expenses	4,359,230	249,188

Mineral Properties

The net asset value of the Company's mineral exploration properties as at December 31, 2007 is $18,320,769 (2006- $1,564,840).

Guerra al Tirano (GAT - Temoris, Chihuahua, Mexico) (Includes Reyna de Oro and Tres de Mayo concessions)

The Guerra al Tirano silver-gold property consists of three mining concessions in the Temoris district in the Sierra Madre Occidental, southwestern Chihuahua State, Mexico. In aggregate the three concessions cover 94.5 hectares.

The silver-gold mineralization is contained within a classic low-sulfidation epithermal system consisting of quartz veins, stockworks, and breccias. The breccias range in thickness from 2 to 17 meters wide and have a strike length of over 1.4 kilometers. These structures generally trend north-south and have dips ranging from 50 to 75 degrees.

The initial mapping, trenching, and sampling that originally attracted our attention was followed up with a detailed soil sampling program. In addition a contract was put in place with M2 Technical Services to provide skilled drillers to carry out an initial 8 hole drilling program utilizing a Longyear 44 type core drilling rig that was purchased by the Company's Mexican subsidiary Minera de Oro y Plata de S.A. de CV.

As disclosed in the Company's news release dated March 5, 2007, Minera Azteca de Oro y Plata S.A. de C.V. (the Mexican subsidiary of Azteca Gold Corp. (the "Company")) has the right to use Ejido land covering approximately 95 hectares of the Company's mining concessions in Chihuahua for all activities necessary for the exploration, development and production of potential ore deposits. The Company may apply in the future for an increase in the amount of land covered by this agreement. In addition, the Company may travel through adjoining and nearby Ejido land outside the boundaries of the mining concessions for the purpose of constructing, operating and maintaining improvements or facilities necessary for the project. Initial payments are US $10,000 per year for the first 3 years. The Company may terminate the agreement at any time.

An Ejido is a fundamental Mexican political unit that operates at the rural level. Mexican law gives Ejidos control of surface access to specific defined geographic boundaries. As such, Ejido consent is required to access land for mineral resource exploration, development, and exploitation (production) on the Company's Guerra al Tirano and Tres de Mayo concessions.

The Guerra al Tirano/Tres de Mayo exploration target area falls near the middle of a historically productive gold-silver belt near Temoris, Chihuahua. The closest gold exploration and development to the Guerra al Tirano/Tres de Mayo targets is the Palmarejo deposit controlled by Palmarejo Gold, 11 km on trend to the northwest.

With the Ejido agreement in place, the Company kicked off a two phase exploration program aimed at outlining a gold equivalent resource. The first phase of surface work saw the exposed vein mapped and sampled over the majority of the Guerra al Tirano and Reyna de Oro concessions and the Northern-most part of the Tres de Mayo concession. Results from the first phase of exploration work were disclosed by the Company in a press release dated September 19, 2007 wherein soil geochemical statistical assay results were presented and reinforced in graphic form on the Company's website page for the Guerra al Tirano (GAT) Project. The second phase employed step-out diamond drilling and RC drilling for a total of 34 holes. Initial results of the second phase of exploration work were disclosed by the Company in a press release dated November 1, 2007 wherein diamond drill core assay results were presented. In January and February of 2008 results of this drilling program were released. Work on a resource estimate from the data of Phase I and Phase II is underway. Results of this resource model will guide the Company in making decisions as to the further work program on these three concessions.

Marietta (MAR - Mineral County Nevada) – Gold-Silver Property in Historic Silver District

On September 7, 2007 the Company announced it had completed the arms-length purchase of a 100% interest in the Marietta property, which consists of approximately 122 patented and unpatented claims located in Mineral County in Nevada. On the 13 patented claims there is a 1% NSR royalty. The Company has received an independent technical report, compliant with NI 43-101, on this property from Edward Brennan of Brisbane, Australia, which will be available on SEDAR and the Company website.

In the same press release, the Company disclosed completion of geophysical and geochemical testing on approximately the southern 1/3 of the claim block at this wholly owned gold/silver/copper project in the Walker Lane trend of west central Nevada. From the work, the Company identified multiple drill ready targets for primarily gold and silver mineralization with significant base metal potential. Results of this work can be found on the Marietta (MAR) project web page of the Company's website.

WDC, a drilling company out of Elko, Nevada, is set to begin a 10,000 FT RC program by December 1, 2007 as disclosed by the Company in a press release dated November 8, 2007. Before winter WDC was able to complete 4 pre-collar holes for later diamond core holes during 2008. The Company curtailed all operations for the winter and is working on an updated 43-101 report to be released in Q2 2008.

Matilde (MAT - Chihuahua, Mexico) – Gold-Silver Prospect Located South of GAT

On November 9, 2007 the Company announced that it has, through its wholly owned Mexican subsidiary, entered into an arms-length agreement (the "Agreement") of transfer of ownership of the Santa Matilde Mineral Concessions (the "Matilde Concessions") located on and surrounding the town of Santa Matilde, Chihuahua about 20 kilometers to the southwest of the regional mining town of Temoris, Chihuahua. The Company's flagship exploration project Guerra al Tirano is located nearby, 9 kilometers to the northwest of Temoris. The Matilde Concessions stretch approximately 7.5 kilometers north to south and cover approximately 2,677 hectares, and contain several historic workings.

The Company has received an independent report compliant with NI 43-101 dated June 20, 2007 on the property from Edward Brennan of Brisbane, Australia, which is available on SEDAR.

Bunker Hill (BNK - Kellogg, Idaho) – Historic Lead-Zinc-Silver Mine

On August 30, 2007 the Company announced that it had signed an arms-length option agreement (the "Bunker Option") in respect to the Bunker Hill Mine property located in Kellogg, Idaho. The mine is currently owned by the New Bunker Hill Mining Company of Kellogg, Idaho. The Bunker Hill Mine property comprises 518 patented mining claims covering approximately 6,500 acres. Historic production, as reported in internal reports and records from previous operators, at the Bunker Hill Mine is approximately 35.8 million tons grading average 8.76% lead, 3.67% zinc and 4.52 oz silver. There are no current reserve or resource estimates for the Bunker Hill Mine that are NI 43-101 compliant.

The Company has received an independent NI 43-101 compliant technical report dated July 12, 2007 from Edward Brennan of Brisbane, Australia, which will be available on SEDAR (www.sedar.com).

The Company is currently negotiating with the EPA for a consent decree which will characterize the environmental responsibility and associated economic obligations of Azteca should Azteca sign such a consent decree in conjunction with exercising the Bunker Hill Option to Purchase.

The Company continues to seek financing for the purchase of the Bunker Hill.

Two Mile (TWO - Osburn, Idaho) – Silver Prospect

On August 14, 2007, the Company entered into an arms-length joint venture agreement (the "Two Mile Joint Venture") in respect to the Silver Valley Two Mile Property located in Shoshone County, Idaho. The Two Mile Property is owned by Silver Royal Apex, Inc. of Wallace, Idaho and is comprised of 118 unpatented claims. Recent geophysical work has identified several potential sulfide targets which will be the focus of a diamond drill exploration program for primarily silver by the Two Mile Joint Venture.

USDA Forest Service drill permits were received in October as disclosed by the Company in a press release dated October 18, 2007. Diamond core drilling began as announced in a subsequent press release by the Company on October 25, 2007.

The Company has received an independent NI 43-101 compliant technical report dated July 27, 2007 from Edward Brennan of Brisbane, Australia, which is available on SEDAR (www.sedar.com).

The Company completed the first phase of the diamond drill program with 4 core holes targeting geophysical anomalies and results of this drilling is pending analysis of the core data.

Property and Equipment

The Company has purchased four drill rigs to expedite drilling on our properties. The total cost was approximately $2,165,911.

SUMMARY OF QUARTERLY RESULTS

	2007			
	Q4	**Q3**	**Q2**	**Q1**
Net loss from operations	**$2,523,613**	**$880,355**	**$553,859**	**$401,403**
Net loss from operations on a Per share basis	**0.024**	**0.008**	**0.007**	**0.006**
Net Income (Loss)	**(2,073,125)**	**(652,655)**	**(1,307,242)**	**1,783,999**
Net Income (Loss) on a Per share basis	**(0.019)**	**(0.006)**	**(0.017)**	**0.025**

The Company realized a net income in the first quarter due to the gain on the sale of marketable securities.

LIQUIDITY AND CAPITAL RESOURCES

The net loss from operations for the year ended December 31, 2007 was funded through the issuance of capital stock and through the sale of marketable securities. As of December 31, 2007 the Company had working capital of $2,959,144 (2006 working capital $3,093,870). Current operations will be funded by the issuance of capital stock.

Cash Flow Requirements for Next 12 months

Exploration programs	$1,750,000
2007 Property Payments and Purchases*	$1,450,000
Claims and Concessions Fees and Taxes	$ 350,000
General and administration	$1,450,000
Total Estimated Expenses	$4,800,000
*Does not include Bunker Hill purchase	

If Option to Purchase is realized for Bunker Hill, cash flow requirements would be higher for the next 12 months.

Property Payments and Purchases:

In order to maintain the Company's mineral properties the Company must make the following property payments during, 2008, and 2009:

The Guerra al Tirano (GAT) Gold-Silver Property has property payments due:
November 2008 US $500,000 + IVA tax of 15% on total payments

The Tres de Mayo (TDM) Gold-Silver Property was paid off in full on April 14, 2008. No further payments are pending.The Matilde (MAT) Gold-Silver Property has the following payments in 2008 and 2009:

US $750,000 by September 15, 2008
US $1,000,000 by March 15, 2009
US $2,000,000 by September 15, 2009

The Bunker Hill (BNK) Lead-Zinc-Silver Property has the following Option payment:

US $100,000 per month.

SUBSEQUENT EVENTS OR PROPOSED TRANSACTIONS

1. On February 5, 2008 the Two Mile Joint Venture Agreement was amended whereby the Company has now earned a 25% interest in the property from Silver Royal Apex, Inc.

2. On March 20, 2008 the Company announced that it had received an extension with respect to the Bunker Hill Mine option agreement. The option agreement must be exercised with a payment of US $46,000,000 on or before July 20, 2008.

3. On April 14, 2008 the Company received an extension to the agreement of transfer of ownership of the Santa

Matilde mineral concessions. The Company's option payment of $750,000 due March 7, 2008 has been extended to September 15, 2008. All subsequent option payments have been extended accordingly.

4. The Tres de Mayo (TDM) Gold-Silver Property was paid in full on April 14, 2008. No further payments are pending.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements and it is not likely that the Company will enter into off-balance sheet arrangements in the foreseeable future.

OUTSTANDING SHARE DATA

Common Shares Issued and Outstanding as at April 29, 2008	107,399,251
Stock Options outstanding [1]	10,200,656
Warrants Outstanding [2]	37,967,445

[1] In 2006 - 4,200,000 options were issued under the Company's Stock Option Plan with exercise prices of $0.50; 500,000 options were issued to the listing sponsor with an exercise price of $0.35. These options are not included under the Company's Stock Option Plan. During 2007, 5,100,000 stock options were granted to directors, senior officers and consultants of the Company at an exercise price ranging between $0.52 and $0.77 which expire five years from the date of issue. Two sets of options were issued to Brokers as consideration with respect to private placements completed in 2007 – 297,365 with an exercise price of US $0.40 expiring August 31, 2009 and 103,291 with an exercise price of $0.88 expiring November 9, 2009.

[2] In 2006 - 17,207,165 warrants were issued with exercise prices of $0.50 and expiration dates of December 12, 2008. In 2007 - 2,437,500 warrants were issued with an exercise price of $0.50 and expiration date of March 20, 2009; 11,125,331 warrants were issued with an exercise price of US $0.70 and expiration date of September 9, 2009; 7,260,949 warrants were issued with an exercise price of $0.88 and expiration date of November 8, 2009.

TRANSACTIONS WITH RELATED PARTIES

Matt Russell
(President and Director)

		2007		2006
Due to Matt Russell	$	232,622	$	26,066
Management fees charged to the Company		241,875		21,851
Private Placement of shares of the Company	$	550,938	$	625,500

Completed private placements of 687,500 shares in 2007 (4,350,000 – 2006)

Randal Squires
(Chief Financial Officer)

		2007		2006
Due to Randal Squires	$	--	$	4,856
Management fees charged to the Company		53,750		4,856
Private Placement of shares of the Company	$	105,250	$	225,000

Completed private placements of 250,000 share in 2007 (1,500,000 – 2006)

Edward Schiller
(Director)

		2007		2006
Private Placement of 100,000 shares of the Company	$	--		15,000
Directors fees charged to the Company		6,000		--

John Mears
(VP Operations and Exploration and Director)

		2007		2006
Management fees charged to the Company	$	169,313	$	--
Directors fees charged to the Company	$	1,500	$	--
Private Placement of shares of the Company		21,476		33,750

Completed private placements of 30,462 shares in 2007 (225,000 – 2006)

Richard Nanna
(Director)

		2007		2006
Directors fees charged to the Company	$	6,000	$	--

Jon Slizza
(VP Finance and Investor Relations)

		2007		2006
Due to Jon Slizza	$	3,774	$	--
Management fees charged to the Company	$	92,808	$	--

M2 Technical Services, Inc.

		2007		2006
Due to M2 Technical Services, Inc.	$	620,207	$	--
Plant & Equipment costs charged to Company	$	1,504,191	$	--
Exploration Services charged to Company		3,157,592		--

The amounts due to related parties are non-interest bearing, unsecured and have no set repayment terms.

CONTINGENT LIABILITIES

The Company has no contingent liabilities.

CHANGES IN ACCOUNTING POLICIES, INCLUDING INITIAL ADOPTIONS

Comprehensive Income

In January 2005 the CICA issued Section 1530, "Comprehensive Income." This section introduces a new financial statement ("Consolidated Statement of Other Comprehensive Income") that will provide for certain gains and losses, including foreign currency translation adjustment and other amounts arising from transactions that do not result from distributions to or investment by owners. Effective January 1, 2007, the Company has adopted this section.

Derivative Financial Instruments and Hedges

January 1, 2007, the Company is required to adopt CICA Section 3855, "Financial Instruments – Recognition and Measurements," and Section 3865, "Hedges." These sections provide for all financial instruments, including derivatives, to be included in the Company's consolidated balance sheet and measured, in most cases, at fair value.

As of January 1, 2008, the Company will be required to adopt two new CICA standards, Section 3862 "Financial Instruments –Disclosures" and Section 3863 "Financial Instruments Presentation" which will replace Section 3861 "Financial Instruments-Disclosure and Presentation." The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed.

The Company is in the process of evaluating the impact of these new standards on its Consolidated Financial Statements.

Accounting Changes

As of January 1, 2007, the Company is required to adopt revised CICA Section 1506, "Accounting Changes," which provides expanded disclosures for changes in accounting polices, accounting estimates and corrections of errors. Under the new standard, accounting changes should be applied retrospectively unless otherwise permitted or where impracticable to determine. As well, voluntary changes in accounting policy are made only when required by a primary source GAAP or the change results in more relevant and reliable information. The Company does not expect application of this revised standard to have a material impact on its Consolidated Financial Statements.

Capital Disclosures

In December 2006, CICA issued Sections 1535 "Capital Disclosures," which will require companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements. The adoption of new capital disclosure requirements is required on January 1, 2008 and the Company is currently assessing the impact on its Consolidated Financial Statements.

Financial Instruments – Recognition and Measurement

On January 1, 2007, in accordance with the applicable transitional provisions, the Company adopted without restating prior periods, the new recommendations of the CICA Handbook: Section 1530, Comprehensive Income, Section 3855, Financial Instruments – Recognition and Measurement, Section 3865, Hedges, Section 3861, Financial Instruments – Disclosure and Presentation, and Section 3251, Equity.

Section 1530, Comprehensive Income, requires the presentation of comprehensive income and its components in a new financial statement. Comprehensive income is the change in the net assets of a company arising from transactions, events and circumstances not related to shareholders, Section 3251, Equity, establishes standards for the presentation of equity and changes in equity during the reporting period.

Section 3855, Financial Instruments – Recognition and Measurement, and Section 3861, Financial Instruments – Disclosure and Presentation, establish standards for classification, recognition, measurement, presentation and disclosure of financial instruments (Including derivatives) and non-financial derivatives in the financial statements. This standard prescribes the basis of presentation for gains and losses on financial instruments. Based on financial instrument classification, gains and losses on financial instruments are recognized in net income or other comprehensive income.

The Company has made the following classifications:

- Cash and marketable securities are classified as "assets held for trading." They are measured at fair value and the gains and losses resulting from the remeasurement at the end of each period are recognized in net income.
- Accounts receivable are classified as "loans and receivables." They are recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measures are recorded at amortized cost using the effective interest method.
- Accounts payable and accrued liabilities are classified as "other liabilities." They are recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measures are recorded at amortized cost using the effective interest method.

Section 3865, Hedges, sets out standards specifying when and how an entity can use hedge accounting. The adoption of this new standard is optional. It offers entities the possibility of applying different reporting options than those set out in Section 3855, Financial Instruments – Recognition and Measurement, to qualifying transactions that they elect to designation as hedges for accounting purposes.

The adoption of these new standards translated into the following changes as at January 1, 2007; a $1,226,077 decrease in the deficit and a $1,226,077 increase in the marketable securities. The adoption of this new standard has no impact on the Company's cash flows.

FINANCIAL INSTRUMENTS

Fair value

The Company's carrying value of cash, accounts receivable, and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

The fair value of the amounts due to shareholders are less than carrying value, as the amounts are non-interest bearing. As the amounts have no terms of repayment, the fair value cannot be calculated with any degree of certainty.

Credit risk

The Company generally extends unsecured credit to customers and therefore the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by the size and reputation of the companies to which credit has been extended. The Company has not experienced any material credit loss in the collection of accounts receivable to date.

Currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is exposed to foreign currency exchange risk on cash and marketable securities held in U.S. dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

DISCLOSURE CONTROLS

An evaluation was performed under the supervision and with participation of the Company's senior management, including the President and Chief Financial Officer, as to the effectiveness of the Company's disclosure controls and procedures as of December 31, 2007. Based on that evaluation, the Company's management concluded that the Company's disclosure controls and procedures were effective as of December 31, 2007.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.