

**AZTECA GOLD CORP.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

To the Shareholders:  
**Azteca Gold Corp.**

**NOTICE TO READER**

The interim consolidated balance sheet of Azteca Gold Corp. as at September 30, 2008, the interim consolidated statements of operations and deficit and the interim consolidated statements of cash flow for the nine months ended September 30, 2008 and September 30, 2007 have been compiled by management.

No audit or review to verify the accuracy or completeness of such information has been performed.

November 24, 2008

**AZTECA GOLD CORP.**  
**CONSOLIDATED BALANCE SHEET**  
(Unaudited – prepared by management)

As at	September 30, 2008	December 31, 2007 (audited)
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 1,970,610	\$ 3,765,560
Accounts receivable	397,850	226,960
Prepaid expenses	9,264	62,274
	2,377,724	4,054,794
PROPERTY, PLANT AND EQUIPMENT (note 4)	640,867	3,264,877
MINERAL EXPLORATION PROPERTIES (note 5)	14,852,285	18,320,769
	\$ 17,870,876	\$ 25,640,440
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 462,238	\$ 859,254
Advances from shareholders (note 6)	-	236,396
	462,238	1,095,650
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>		
SHARE CAPITAL (note 7)	17,933,519	17,119,600
CONTRIBUTED SURPLUS	10,080,148	8,676,472
DEFICIT	(10,605,029)	(1,251,282)
	17,408,638	24,544,790
	\$ 17,870,876	\$ 25,640,440

Future operations (note 2)

Approved on behalf of the Board

Director: Matt Russell “signed”

Director: Edward Schiller “signed”

**AZTECA GOLD CORP.**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
(unaudited – prepared by management)

	For the three months ended September 30 <sup>th</sup>		For the nine months ended September 30 <sup>th</sup>	
	2008	2007	2008	2007
<b>EXPENSES</b>				
Stock based compensation	10,295	362,230	797,852	734,683
General and administrative	153,488	75,075	545,827	235,360
Depreciation	38,110	126,723	383,484	200,406
Management fees	113,208	223,855	332,318	438,643
Professional fees	15,574	77,619	116,086	178,271
Transfer and agent fees	3,387	49,205	15,104	87,228
Shareholder reporting	622	7,366	5,279	41,872
Interest and bank charges	285	338	989	1,490
<b>OPERATING LOSS</b>	<b>(334,969)</b>	<b>(922,411)</b>	<b>(2,196,939)</b>	<b>(1,917,953)</b>
<b>LOSS BEFORE THE FOLLOWING ITEMS</b>	<b>(334,969)</b>	<b>(922,411)</b>	<b>(2,196,939)</b>	<b>(1,917,953)</b>
<b>OTHER ITEMS</b>				
Rental income	2152	--	117,884	--
Gain (loss) on foreign exchange	(258,112)	227,700	(240,678)	81,990
Interest income	2,950	42,056	17,384	82,336
Gain (loss) on sale of marketable securities	--	--	--	1,577,729
Property write-off	(6,454,153)	--	(6,454,153)	--
Loss on sale of equipment	(449,659)	--	(597,245)	--
	<b>(7,156,822)</b>	269,756	<b>(7,156,808)</b>	1,742,055
<b>NET AND COMPREHENSIVE INCOME (LOSS)</b>	<b>(7,491,791)</b>	<b>(652,655)</b>	<b>(9,353,747)</b>	<b>(175,898)</b>
<b>RETAINED EARNINGS (DEFICIT), BEGINNING OF THE PERIOD</b>	<b>\$ (3,113,238)</b>	<b>\$ 1,474,498</b>	<b>\$ (1,251,282)</b>	<b>\$ (228,336)</b>
<b>ACCOUNTING ADJUSTMENT (Note 3)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,226,077</b>
<b>RETAINED EARNINGS (DEFICIT), END OF PERIOD</b>	<b>\$ (10,605,029)</b>	<b>\$ 821,843</b>	<b>\$ (10,605,029)</b>	<b>\$ 821,843</b>
<b>BASIC AND DILUTED LOSS PER SHARE</b>	<b>\$ (0.070)</b>	<b>\$ (0.009)</b>	<b>\$ (0.087)</b>	<b>\$ 0.002</b>

*The accompanying notes are an integral part of these financial statements.*

**AZTECA GOLD CORP.**  
**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Unaudited – prepared by management)

	<b>For the three months ended September 30<sup>th</sup></b>		<b>For the nine months ended September 30<sup>th</sup></b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net and comprehensive Income (loss)	\$ (7,491,791)	\$ (652,655)	\$ (9,353,747)	\$ (175,898)
Items not affecting cash				
Loss (Gain) on sale of marketable securities	--	--		(1,577,729)
Stock-based compensation	10,295	362,230	797,852	734,683
Depreciation	38,110	126,723	383,484	200,406
Write-down of property	6,454,153	--	6,454,153	--
Loss on sale of equipment	449,660	--	597,245	--
	<b>(539,573)</b>	<b>(163,702)</b>	<b>(1,121,013)</b>	<b>(818,538)</b>
Changes in non-cash working capital items				
Accounts receivable	57,383	(2,738)	(170,890)	196,757
Prepaid expenses	(1,820)	85,577	53,010	(91,810)
Accounts payable and accrued liabilities	31,306	77,681	13,515	100,334
	<b>(452,704)</b>	<b>(3,182)</b>	<b>(1,225,378)</b>	<b>(613,257)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of mineral exploration properties	(702,547)	(7,387,948)	(2,985,669)	(9,557,261)
Disposition (Purchase) of property, plant and equipment	540,700	(1,383,166)	1,643,281	(2,094,267)
Changes in non-cash working capital items				
Accounts payable	351,347	--	(410,531)	--
Sale of marketable securities	--	--	--	3,533,346
	<b>189,500</b>	<b>(8,771,114)</b>	<b>(1,752,919)</b>	<b>(8,118,182)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Issuance of share capital	1,419,743	8,803,635	1,419,743	10,588,110
Advances from (to) shareholder	(145,222)	(29,289)	(236,396)	(30,922)
	<b>1,274,521</b>	<b>8,774,346</b>	<b>1,183,347</b>	<b>10,577,188</b>
<b>CHANGE IN CASH POSITION</b>	<b>1,011,317</b>	<b>50</b>	<b>(1,794,950)</b>	<b>1,825,749</b>
CASH, Beginning of period	959,293	3,999,058	3,765,560	2,173,359
<b>CASH, END OF PERIOD</b>	<b>\$ 1,970,610</b>	<b>\$ 3,999,108</b>	<b>\$ 1,970,610</b>	<b>\$ 3,999,108</b>

*The accompanying notes are an integral part of these financial statements.*

**AZTECA GOLD CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**1. NATURE OF OPERATIONS**

Azteca Gold Corp. (formerly Hansa Corporation) (the "Company") was incorporated in Ontario on March 26, 1957 and continued under the Business Corporations Act (Alberta) on February 25, 1980. The Company is a development stage company engaged in the acquisition, exploration and development of gold and silver properties in Mexico and the United States.

The business of exploring resource properties involves a high degree of risk and therefore there is no assurance that current exploration programs will result in profitable operations. The recoverability of the investment in the mining properties is dependent upon the discovery of economically recoverable ore reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete exploration and subsequent development of its properties, and upon future profitable production or proceeds from disposition of its properties.

The Company will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. The mining properties represent net costs and write-offs to date, and do not necessarily represent present or future values.

Although the Company has taken steps to verify the title to the mining properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title.

Property title may be subject to unregistered prior agreements and noncompliance with regulatory requirements, transfer of native land claims and title may be affected by undetected defects.

**2. FUTURE OPERATIONS**

The accompanying consolidated financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. As at the date of issue of these consolidated financial statements, the Company is in a deficit position from accumulated operating losses and is experiencing a negative cash flow from ongoing operations and, therefore, its ability to meet future commitments on mining properties is not assured.

Continuation of the Company as a going concern is dependent upon obtaining additional capital and/or achieving profitable operations. The consolidated financial statements do not include any adjustments relating to the realization of assets and liquidation of liabilities that might be necessary should the Company be unable to continue as a going concern. Although successful resolution of these uncertainties is not assured, management is of the opinion that additional capital can be raised.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The interim financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires

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3. **SIGNIFICANT ACCOUNTING POLICIES, continued**

management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality. These interim financial statements should be read in conjunction with the most recent audited annual financial statements for the year ended December 31, 2007.

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 designate 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.

**AZTECA GOLD CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**4. PROPERTY, PLANT AND EQUIPMENT**

	Cost	Accumulated Amortization	2008 Net
Equipment and automotive	\$ 1,144,820	\$ 679,912	\$ 464,908
Computer equipment	46,238	23,556	22,682
Furniture and fixtures	7,344	1,992	5,352
Leasehold improvements	52,481	33,099	19,382
	1,250,883	738,559	512,324
Land	128,543	-	128,543
	\$ 1,379,426	\$ 738,559	\$ 640,867

**5. MINERAL EXPLORATION PROPERTIES**

	2008	2007
Acquisition costs	\$ 8,758,475	\$ 5,820,615
Exploration costs	6,093,810	388,538
	\$ 14,852,285	\$ 6,209,153
Consists of:		
Guerra al Tirano - Reyna de Oro	\$ 3,057,180	\$ 1,190,452
Tres de Mayo	2,595,733	1,804,852
Matilde	1,348,483	224,010
Marietta	3,763,025	295,267
Bunker Hill	0	2,645,299
Project Orange	219,966	-
Two Mile	2,922,818	49,273
Geroe Creek	945,080	-
	\$ 14,852,285	\$ 6,209,153

The Tres De Mayo Property was paid in full on April 14, 2008. No further payments are pending.

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**6. DUE TO RELATED PARTIES**

There are no funds owed to or from related parties.

**7. SHARE CAPITAL**

Authorized

Unlimited number of common shares  
 Unlimited number of first preferred shares  
 Unlimited number of second preferred shares

Common shares issued

	Number	Amount
Balance December 31, 2006	65,794,141	\$ 3,699,992
Exercise of stock options	155,000	38,750
Private placement issued for cash	34,386,610	16,241,497
Less fair market value of warrants issued	-	(5,009,582)
Exercise of warrants	63,500	39,700
Share issuance costs	-	(875,757)
Issued as consideration for properties purchased	7,000,000	2,985,000
Balance December 31, 2007	107,399,251	\$ 17,119,600
Private placement issued for cash	27,042,749	1,419,743
Less fair market value of warrants issued	-	(605,824)
Shares returned to treasury	(4)	
Balance September 30, 2008	134,441,996	17,933,519

On January 24, 2007, 155,000 shares were issued with respect to the exercise of stock options for total proceeds of \$38,750.

On March 19, 2007 there was a private placement of 4,875,000 units at a price of \$0.36 per share. Each unit consisted of one common share and one-half share purchase warrant. Each warrant has a two-year term and is exercisable for \$0.50 per share. The total proceeds of the transaction were \$1,755,000 of which \$444,579 has been allocated to the fair value of the warrants.

On June 12, 2007 there were 5,500,000 shares issued at a deemed value of \$2,475,000 as payment for the purchase of the Marietta property.

During August 2007 the Company issued 22,250,661 convertible subscription receipts for total proceeds of \$9,367,528. On August 31, 2007 all subscription receipts were converted to 22,250,661 shares at US\$0.40 per share and 11,125,331 share purchase warrants exercisable for a two-year period at US\$0.70 per share. The Company allocated \$2,426,815 to the fair value of the warrants.

**AZTECA GOLD CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7. **SHARE CAPITAL, continued**

On November 9, 2007 there was a private placement of 7,260,949 units at a price of \$0.705 per share. Each unit consisted of one common share and one share purchase warrant. Each warrant has a two-year term and is exercisable for \$0.88 per share. The total proceeds of the transaction were \$5,118,969 of which \$2,146,664 has been allocated to the fair value of the warrants.

On November 26, 2007 there were 1,500,000 shares issued at a deemed value of \$510,000 as payment for the purchase of the Matilda property.

During November and December 2007 there were 63,500 shares issued with respect to the exercise of warrants for total proceeds of \$39,700.

On September 30, 2008 there was a private placement of 27,042,749 units at a price of \$0.0525 per share. Each unit consisted of one common share and one share purchase warrant. Each warrant has a two-year term and is exercisable for \$0.25 per share. The total proceeds of the transaction were \$1,419,743 of which \$605,824 has been allocated to the fair value of the warrants.

*Stock options*

The total number of shares optioned according to the Employee Stock Option Plan may not exceed 10% of the issued and outstanding shares of the Company at the time of granting. The option price per share shall be determined by the Board of Directors at the time that the option is granted in compliance with Circular No. 6 as amended, by the TSX Venture Exchange.

On January 24, 2007, 155,000 options were exercised at an exercise price of \$0.25 per share.

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. The fair value of the options issued totals \$3,008,349 which will be recorded in contributed surplus and expensed as stock compensation expense as the options vest. The amounts calculated was based on the fair value of the options, which was estimated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate; 4.2%, Expected life; 5 years, vesting period; varies, future dividend yield; nil, expected volatility; 153%.

During 2007, 400,656 stock options (not included in Employee Stock Option Plan) were granted to the Private Placement Agents for services in conjunction with the private placement at an exercise price ranging between \$0.40 USD and \$0.88 CDN which expire two years from the date of issue. The fair value of the options issued totals \$191,429 which has been recorded in contributed surplus and share capital. The amounts calculated was based on the fair value of the options, which was estimated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate; 4.2%, Expected life; 2 years, vesting period; varies, future dividend yield; nil, expected volatility; 153%.

During 2008, 2,800,000 stock options granted to a senior officer and consultants of the Company expired. The options were at exercise prices ranging from \$.40 USD and \$.77 CDN.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7. **SHARE CAPITAL, continued**

	2008		2007	
	Number of options	Weighted average share price	Number of options	Weighted average share price
Outstanding options of Azteca at January 1	10,200,656	\$ 0.61	4,855,000	\$ 0.49
Exercised	--	--	--	--
Granted	--	--	5,397,365	0.70
Expired	2,800,000	0.68	--	--
Stock options, end of period	7,400,656	\$ 0.58	10,097,365	\$ 0.61

Options outstanding	Exercise price	Options exercisable at September 30, 2008	Expiry date
3,900,000	0.50	3,900,000	December 28, 2011
500,000	0.35	500,000	December 28, 2011
1,000,000	USD 0.70	500,000	July 31, 2012
297,365	USD 0.40	297,365	August 31, 2009
600,000	USD 0.70	400,000	September 6, 2012
1,000,000	0.77	1,000,000	September 25, 2012
103,291	0.88	103,291	November 9, 2009
7,400,656		6,900,656	

*Warrants*

On March 19, 2007, 2,437,500 share purchase warrants were issued as part of a private placement on the same day. The warrants have an exercise price of \$0.50 per share, and expire on March 19, 2009. The fair value of the warrants issued totaled \$444,579. On August 31, 2007, 11,125,331 share purchase warrants were issued as part of a private placement on the same day. The warrants have an exercise price of US\$0.70 per share, and expire on August 31, 2009. The fair value of the warrants issued totaled \$2,426,815. On November 9, 2007, 7,260,949 share purchase warrants were issued as part of a private placement on the same day. The warrants have an exercise price of \$0.88 per share, and expire on November 9, 2009. The fair value of the warrants issued totaled \$2,146,664. On September 30, 2008, 27,042,749 share purchase warrants were issued as part of a private placement on the same day. The warrants have an exercise price of \$.25 per share and expire on September 30, 2010. The fair value of the warrants issued totaled \$605,824. The fair values were taken out of share capital with corresponding credits to contributed surplus. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate; 4.2%; expected life is two years; and expected volatility; 153%.

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7. **SHARE CAPITAL, continued**

A summary of the Company's warrants at September 30, 2008 is presented below:

	Warrants Outstanding	Average Exercise Price
Balance as at December 31, 2006	17,207,165	0.500
Issued with private placements in 2007	20,823,780	0.760
Exercised during 2007	(63,500)	0.625
Balance as at December 31, 2007	37,967,445	\$ 0.760
Issued with private placement in 2008	27,042,749	0.250
Balance as at September 30, 2008	65,010,194	0.480

8. **SUBSEQUENT EVENTS**

- A. On November 13, 2008, the Corporation completed the purchase of Guerra al Tirano with payments totaling US \$500,000. The Corporation now owns 100% of this property.
- B. Effective November 13, 2008 the Company has extended to June 15, 2009 the expiration date on 17,207,165 warrants that were to expire on December 11, 2008 and 2,437,501 warrants that were to expire on March 19, 2009.
- C. On November 19, 2008 the Two Mile Joint Venture Agreement was amended whereby Silver Royal Apex recognizes that Azteca has earned its 50% interest in the property and that Azteca is now the operator of the Joint Venture. Apex shall have four months from November 19, 2008 to start matching the funds expended by Azteca above the three million already spent. Apex shall have three months following the end of that four month period to have paid in full all matching funds due.
- D. On November 21, 2008 the Company entered into a membership agreement with a Nevada LLC in which the Company has been granted a 50% ownership stake in exchange for:
  - a. Releasing the owner from the previous agreement of the Santa Matilde concessions dated November 9, 2007.
  - b. Paying to the owner on behalf of the Nevada LLC the sum of US \$200,000, of which \$50,000 was paid on signing and of which \$150,000 is to be paid on or before December 30, 2008.
  - c. Paying to the owner 2,000,000 common shares of the Company within 30 days of acceptance of the transaction by the Toronto Venture Exchange.
  - d. Doing a minimum of US \$500,000 worth of exploration work on the Santa Matilde concessions on behalf of the Nevada LLC over 24 months from the date of signing. Any amount of the work commitment can be made by escrowing funds on behalf of the Nevada LLC specifically designated to be used for exploration and/or feasibility

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7. **SHARE CAPITAL, continued**

- work on the property.
- e. As a 50% owner of the Nevada LLC, the Company, its successors and assigns, to honor its pro-rata share of the surcharge agreement as given in the original Santa Matilde agreement dated November 9, 2007 wherein the vendor receives a production surcharge on equivalent gold in reserve as determined in the feasibility study.

The Nevada LLC holds claim to 100% interest in the Santa Matilde concessions. Transfer of title will occur upon the successful completion of items a-d above.