

**AZTECA GOLD CORP.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2008**

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

**NOTICE TO READER**

The interim consolidated balance sheet of Azteca Gold Corp. as at March 31, 2008, the interim consolidated statements of operations and deficit and the interim consolidated statements of cash flow for the three months ended March 31, 2008 and March 31, 2007 have been compiled by management.

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

May 29, 2008

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

As at	March 31, 2008	December 31, 2007 (audited)
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 1,352,542	\$ 3,765,560
Accounts receivable	398,586	226,960
Marketable securities	-	-
Prepaid expenses	25,887	62,274
	1,777,015	4,054,794
PROPERTY, PLANT AND EQUIPMENT (note 4)	2,876,072	3,264,877
MINERAL EXPLORATION PROPERTIES (note 5)	19,651,486	18,320,769
	\$ 24,304,573	\$ 25,640,440
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 166,096	\$ 859,254
Advances from shareholders (note 6)	225,716	236,396
	391,812	1,095,650
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>		
SHARE CAPITAL (note 7)	17,119,600	17,119,600
CONTRIBUTED SURPLUS	9,193,246	8,676,472
DEFICIT	(2,400,085)	(1,251,282)
	23,912,761	24,544,790
	\$ 24,304,573	\$ 25,640,440

Future operations (note 2)



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

For the three months ended March 31,	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net and comprehensive loss	\$, (1,148,803)	\$ 1,783,999
Item not affecting cash		
Stock-based compensation	516,774	189,022
Gain on sale of marketable securities	---	(245,470)
Gain on market value of investment	---	(1,903,959)
Loss on sale of equipment	90,405	-
Amortization	161,229	7,061
	(380,395)	(169,347)
Changes in non-cash working capital items		
Accounts receivable	(171,626)	209,655
Prepaid expenses	36,387	(65,284)
Accounts payable and accrued liabilities	59,009	(101,290)
	(456,625)	(126,266)
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Sale of marketable securities	-	975,010
Disposition (Purchase) of property plant and equipment	137,171	(135,575)
Purchase of mineral exploration properties	(1,330,717)	(614,986)
Changes in non-cash working capital items		
Accounts payable	(752,167)	-
	(1,945,713)	224,449
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of share capital	-	1,784,475
Advances from (to) shareholder	(10,680)	(13,161)
	(10,680)	1,771,314
<b>CHANGE IN CASH POSITION</b>	(2,413,018)	1,869,497
<b>CASH, beginning of period</b>	3,765,560	2,173,359
<b>CASH, end of period</b>	\$ 1,352,542	\$ 4,042,856

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

MARCH 31, 2008 AND 2007

---

**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

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

MARCH 31, 2008 AND 2007

---

**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**

**MARCH 31, 2008 AND 2007**

---

**4. PROPERTY, PLANT AND EQUIPMENT**

	Cost	Accumulated Amortization	2008 Net
Equipment and automotive	\$ 3,158,870	\$ 473,840	\$ 2,685,030
Computer equipment	45,139	17,829	27,310
Furniture and fixtures	7,344	1,204	6,140
Leasehold improvements	52,481	23,432	29,049
	3,263,834	516,305	2,747,529
Land	128,543	-	128,543
	\$ 3,392,377	\$ 516,305	\$ 2,876,072

**5. MINERAL EXPLORATION PROPERTIES**

	2008	2007
Acquisition costs	\$ 14,150,460	\$ 1,564,840
Exploration costs	5,501,026	-
	\$ 19,651,486	\$ 1,564,840
Consists of:		
Guerra al Tirano - Reyna de Oro	\$ 3,024,945	832,720
Tres de Mayo	1,982,295	732,120
Matilde	1,348,483	-
Marietta	3,622,884	-
Bunker Hill	6,353,335	-
Two Mile	2,222,696	-
Geroe Creek	1,096,848	-
	\$ 19,651,486	\$ 1,564,840

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

MARCH 31, 2008 AND 2007

---

**6. DUE TO RELATED PARTIES**

Advances from shareholders

	2008	2007
Due to Matt Russell	225,716	17,761

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

**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 and March 31, 2008	107,399,251	\$ 17,119,600

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.

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

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

MARCH 31, 2008 AND 2007

7. **SHARE CAPITAL, continued**

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.

*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%.

	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	--	--	(155,000)	0.25
Granted	--	--	1,300,000	0.52
Stock options, end of period	10,200,656	\$ 0.61	6,000,000	\$ 0.50

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

MARCH 31, 2008 AND 2007

7. **SHARE CAPITAL, continued**

Options outstanding	Exercise price	Options exercisable at March 31, 2008	Expiry date
4,200,000	0.50	4,200,000	December 28, 2011
500,000	0.35	500,000	December 28, 2011
1,300,000	0.52	1,240,000	March 26, 2012
1,000,000	USD 0.70	100,000	July 31, 2012
50,000	USD 0.70	16,667	August 28, 2012
297,365	USD 0.40	297,365	August 31, 2009
1,500,000	USD 0.40	500,000	September 6, 2012
1,250,000	0.77	625,000	September 25, 2012
103,291	0.88	103,291	November 9, 2009
<b>10,200,656</b>		<b>7,582,323</b>	

*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. 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%.

A summary of the Company's warrants at March 31, 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 and March 31, 2008	37,967,445	\$ 0.760

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

MARCH 31, 2008 AND 2007

---

8. **SUBSEQUENT EVENTS**

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 options payment have been extended accordingly.

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