

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, 2008 and 2007 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, 2008 and 2007. The Management's Discussion and Analysis was prepared as of April 29, 2009. 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.

2008 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 April 14, 2008 the Company made its final payment with respect to its option on the Tres de Mayo (TDM) Gold-Silver Property and now holds a 100% interest in the property.
2. On May 6, 2008 the Company acquired a 100% interest in the Geroe Creek Project, located in the Brooks Range, Alaska. This porphyry style moly-copper mineralization property consists of 168 contiguous Alaska state mining claims covering approximately 26,880 acres.
3. On July 20, 2008 the Company let lapse its option agreement with respect to the Bunker Hill Mine property located in Kellogg, Idaho as a result of being unable to come to a commercially acceptable agreement with the United States Environmental Protection Agency and the owner. The Company subsequently took a \$6,754,493 write-off against the property.
4. On September 30, 2008 the Company completed a private placement of 27,042,749 units at a price of \$0.0525 per share. Each unit consists 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.
5. On November 13, 2008 the Company completed the purchase of Guerra al Tirano. The Company now holds a 100% interest in the property.
6. On November 13, 2008 the Company completed the negotiations with respect to the Santa Matilde property whereby it now holds a 50% interest in the four Santa Matilde concessions covering approximately 2,677 hectares through its ownership of a 50% interest in Coronado Mines LLC, a Nevada Limited Liability Corporation. As consideration for this interest and the cancellation of the original option agreement the Company paid US \$50,000 on signing, a further US \$150,000 prior to December 30, 2008 and issued 2,000,000 common shares. The Company must also complete exploration work and/or pay into a work escrow account US \$500,000 by November of 2010. The concessions are held by Coronado Mines LLC's wholly-owned subsidiary in Mexico. Coronado Mines LLC will be responsible for paying the equivalent gold surcharge as given in the original Azteca Santa Matilde agreement.
7. On November 17, 2008 an extension was granted on the expiry date of 17,182,165 warrants issued December 11, 2006 and 2,437,500 warrants issued March 11, 2007. The new expiry date is June 15, 2009.
8. On November 19, 2008 the Company was formally notified by Silver Royal Apex that it has earned its 50% JV interest as well as operatorship of the Two Mile JV located near Osburn, Idaho. As part of various amendments to the original agreement the Company acquired three patented claims and staked unpatented claims on behalf of the JV to secure an exploration area adjacent to the three patented claims. The Company began diamond drilling operations in the latter half of July 2008 and is currently still deepening one of the four Q4 2007 core holes as agreed. The Company has further received drill permits from the US Forest Service for an additional three drill sites within the larger Two Mile JV claim block and,

based on recent geologic information obtained in late October and early November, mobilized a second drill rig within approximately a 1 kilometer separation of the current drill rig, also immediately adjacent to the Two Mile Fault.

9. On December 5, 2008 the Company issued 2,000,000 shares for a value of \$100,000 to the owners of the Santa Matilde property on behalf of Coronado Mines LLC under the terms of the membership agreement.

10. On December 31, 2008 the Company completed a private placement of 23,666,044 units at a price of \$.05 per unit. Each unit consisted of one common share and one-half share purchase warrant. Each warrant has a two-year term and is exercisable for \$.25 per share. The total proceeds of the transaction were \$1,183,303.

SELECTED ANNUAL INFORMATION

For the year ended December 31,	2008	2007	2006
Net loss from operations	\$ 3,556,033	\$ 4,359,230	\$ 249,188
Net loss from Operations on a per share basis	0.031	0.040	0.008
Net loss	10,655,210	2,249,023	184,018
Net loss on a Per share basis	0.093	0.023	0.006
Capital expenditures, net	4,271,803	17,390,885	1,230,869
Total Assets	19,030,098	25,640,440	4,869,163
Advances from shareholders	8,701	236,396	30,922
Property write-off	6,754,493	-	-

RESULTS OF OPERATION

The Company incurred a net loss of \$10,655,210 during the year ended December 31, 2008 compared with a loss of \$2,249,023 during the year ended December 31, 2007. The majority of the increase over the prior year was due to the property write-off as noted above.

Net Loss from Operations

In 2008, net loss from operations was \$3,556,033 compared to \$4,359,230 in 2007, resulting in a decrease of \$803,197. This change primarily reflects a decrease in stock-based compensation and management fees. Stock-based compensation declined as a result of the expiration of 3,300,000 options during the year. The decrease in management fees reflects the vacancy left due to the departure of the VP of Exploration at the beginning of the year. These duties were picked up by other management as well as consultants already engaged with the Company. The following table itemizes the net loss from operations for the year ended December 31, 2008 and 2007.

CONSOLIDATED SCHEDULE OF NET LOSS FROM OPERATIONS

For the year ended December 31,	2008	2007
Stock based compensation	\$1,498,786	\$2,288,407
General and Administrative	883,854	597,042
Management fees	463,710	633,056
Amortization	416,329	355,080
Professional fees	201,906	280,194
Listing fees and agent fee	38,820	132,363
Warrant expense	33,060	-
Shareholder reporting	17,892	70,755
Interest and penalties	1,676	2,333
Total Administrative expenses	3,556,033	4,359,230

Mineral Properties

The net asset value of the Company's mineral exploration properties as at December 31, 2008 is \$17,553,567 (2007-\$18,320,769).

Guerra al Tirano (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 (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, 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 is available on SEDAR and the Company's 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.

There are currently no plans in 2009 for this property except to evaluate offers for partnering.

Matilde (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.

On November 13, 2008, the Company released the owners of the Matilde property from the option agreement entered into in 2007 and entered into a new membership agreement with Coronado Mines LLC, a Nevada LLC. The Company now holds a 50% interest in Coronado Mines LLC., which has an option to earn a 100% interest in the Matilde property by spending US \$500,000 on exploration by November 13, 2010. It is the Company's obligation to fund the exploration on the property up to a positive feasibility stage at which time the other stake holders in Coronado Mines LLC must share in the funding based on their percentage holdings.

In 2009 the Company anticipates putting together a surface sampling, mapping, and geophysics program to progress this property under its new ownership by the Company's 50% owned subsidiary Coronado Mines LLC.

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 (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.

On July 20, 2008 the Company let lapse its option agreement with respect to the Bunker Hill Mine property located in Kellogg, Idaho as a result of being unable to come to a commercially acceptable agreement with the United States Environmental Protection Agency and the owner.

Two Mile (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). A January 8, 2009 update to this report is available on the Company's website and on SEDAR.

The Company completed the first phase of the diamond drill program with 4 core holes in late 2007 targeting geophysical anomalies and results of this drilling is pending analysis of the core data.

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.

On December 8, 2008 the Company announced significant progress on diamond drill hole DDH-005A (a deepening of an earlier hole DDH-001A) that was begun in the latter half of July 2008 and had a TD of 8784 FT, one of the deepest holes ever drilled in the Silver Valley of Idaho. Significant massive sulfides were intercepted at approximately the 7950 FT level in DDH-005A and preliminary assay results were reported in a press release dated January 13, 2009. A wedge-off diamond drill hole DDH-005B was begun in mid-December 2008 at the 3960 FT level in hole DDH-005A and was slated for a TD of 9500 FT. A sixth diamond drill hole DDH-006 was begun in mid December 2008 approximately 1km west of DDH-005. The purpose of DDH-005B and DDH-006 is to develop a mineral resource on strike with the Two Mile fault as based on the massive sulfide intercept in DDH-005A.

The Two Mile Project has become the main focus of exploration for the Company due to the success in intercepting significant massive sulfides in hole DDH-005A. The exploration plan is to develop a mineral resource adjacent to the Two Mile fault between holes DDH-005A and DDH-006. Holes DDH-005B and DDH-006 are expected to reach target depth within Q1 2009. The results of the mineral intercepts in these two holes will guide further deep exploration at Two Mile. An estimate of a minimum of \$2,250,000 of exploration is planned in 2009 to establish continuity of the sulfide mineralization between holes DDH-005A and DDH-006.

Geroe Creek (Brooks Range, Alaska) - Molybdenum Prospect

Azteca Gold Corp. has recently acquired a 100% interest in the Geroe Creek project, located in the Brooks Range, Alaska. The property consists of 168 contiguous Alaska state mining claims covering approximately 26,880 acres. The property lies northeast of the Hogatza porphyry copper belt in the eastern Brooks Range of northern Alaska. It is located within an identified copper-lead-zinc metal province and adjacent to a gold (antimony-tungsten) province. The copper-lead-zinc belt hosts at least one major metalliferous lode deposit, as well as a large number of minor deposits. A geochemical survey was conducted during the fall of 2007, and assays indicate the presence of a large, strong molybdenum-lead-zinc-copper anomaly. Geochemical data, consisting 224 outcrop, 209 stream sediment, and 39 float samples, show strong anomalies for molybdenum, lead, zinc, copper, a moderate anomaly for nickel, and anomalous elevations beyond background for gold, silver, and antimony. Mineralization is concentrated within the north-northeast trending cirque and glacial valley, but has been traced for at least three miles to the east-southeast, possibly along a structural zone. Geroe Creek mineralization

outcrops over an area measuring approximately 12 square kilometers and preliminary geologic work suggests it is predominantly hosted in paleozoic metasediments that are locally intruded by paleozoic- to mesozoic-aged mafic and granitic intrusives. Lithologic and alteration characteristics appear to be indicative of porphyry-style mineralization. Based on the geochemical survey, as well as results from two diamond core drill holes drilled prior to the onset of winter, the independent members of the board of directors approved the project's acquisition from Mr. Russell and two other arms-length owners who received a total of US \$60,000 for reimbursement of certain expenses. The three vendors will receive in total a 1.5% net smelter royalty. President of the Company and his wife will receive .5% of the Net Smelter Royalty. Azteca has no obligation to spend any funds on the property nor make any other payments in respect to the acquisition of the Geroe Creek project. Plans have been developed for a second-stage exploration of the property, including a higher resolution geochemical survey and mapping designed to delineate drilling targets. Azteca will take the time to consider its options in regards to progressing the property before committing further resources to it. This includes potentially partnering with an Alaska-focused exploration company or a molybdenum-focused company in some form.

Clayton Silver Mine (Clayton, Idaho)-

The Company has an option to purchase the Clayton Silver Mine for US \$500,000 expiring June 15, 2009. The Company is currently reviewing whether it will exercise the option.

Equipment

The Company owns equipment carried at a depreciated value of \$608,022 (2007- \$3,264,877). The Company currently attempts to rent out excess equipment when it is not being utilized for its own projects. The Company sold three drills, drill rod and other miscellaneous equipment during the year for total proceeds of \$1,615,488 recognizing a loss on the sales of \$625,038.

SUMMARY OF QUARTERLY RESULTS

	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net loss from operations	\$1,359,094	\$334,969	\$722,822	\$1,139,148	\$2,523,613	\$880,355	\$553,859	\$401,403
Net loss from operations on a Per share basis	0.012	0.003	0.007	0.011	0.024	0.008	0.007	0.006
Net Income (Loss)	(1,301,463)	(7,491,791)	(713,153)	(1,148,803)	(2,073,125)	(652,655)	(1,307,242)	1,783,999
Net Income (Loss) on a Per share basis	(0.011)	(0.070)	(0.007)	(0.011)	(0.019)	(0.006)	(0.017)	0.025

LIQUIDITY AND CAPITAL RESOURCES

The net loss from operations for the year ended December 31, 2008 was funded with cash reserves, the issuance of capital stock and the sale of equipment. As of December 31, 2008 the Company had net working capital deficiency of \$29,944 (2007- \$2,959,143). Current operations will be funded by the issuance of capital stock.

Cash Flow Requirements for Next 12 months

Exploration programs	\$2,750,000
Claims and Concessions Fees and Taxes	\$ 400,000
General and administration	<u>\$1,450,000</u>
Total Estimated Expenses	\$4,600,000

Property Payments and Purchases:

In order to maintain the Company's mineral properties the Company must make the following future payments:

The Matilde Gold-Silver Property has a work commitment of US \$500,000 by November 13, 2010.

COMMITMENTS:

a) Management Contracts - The Company and its subsidiaries have contracts with certain members of management where they will receive severance payments upon termination without cause. The current commitment upon termination is US \$820,000.

b) The Company has entered into two commercial lease agreements. The first lease expires on July 9, 2009 and the second expires on December 31, 2009. The minimum annual payments for 2009 associated with these commercial leases will be US \$16,500.

SUBSEQUENT EVENTS OR PROPOSED TRANSACTIONS

1. On January 10, 2009 the Company issued by way of private placement 9,847,867 units for gross proceeds of \$492,393. Commissions of \$8,411 were paid. Each unit consisted of one common share and one-half share purchase warrant. Each warrant entitles the holder to purchase one common share for \$0.25 until January 10, 2011.
2. On February 16, 2009 the Company announced that 17,182,165 warrants issued December 11, 2006; 2,437,500 warrants issued March 19, 2007; 11,086,833 warrants issued August 31, 2007; and 7,260,949 warrants issued November 9, 2007 would be re-priced to \$0.15 up until February 26, 2009 at which time the warrants would revert back to their original exercise price.
3. On March 3, 2009, the Company issued 4,391,250 shares through the exercise of warrants for gross proceeds of \$658,688.
4. On March 11, 2009, Ed Schiller resigned as director for personal reasons.
5. On April 17, 2009, the Company issued by way of private placement 3,525,807 units for gross proceeds of \$705,161. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share for \$0.35 until April 17, 2011.

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, 2009	177,872,964
-----------------------------------------------------------	-------------

Stock Options outstanding ⁽¹⁾	7,800,656
Warrants Outstanding ⁽²⁾	80,901,708

⁽¹⁾In 2006 - 4,200,000 options were issued under the Company's Stock Option Plan with exercise prices of \$0.50; These options are not included under the Company's Stock Option Plan. In 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. In 2008, 2,800,000 stock options granted to a senior officer and consultants of the company as well as 500,000 brokerage options expired and 900,000 options were granted to directors at an exercise price ranging between \$0.25 and \$0.50 and expire 5 years from the date of issue.

⁽²⁾ In 2006 - 17,207,165 warrants were issued with exercise prices of \$0.50 and expiration dates of December 12, 2008 and subsequently extended to June 15, 2009. In 2007 - 2,437,500 warrants were issued with an exercise price of \$0.50 and expiration date of March 19, 2009 and subsequently extended to June 15, 2009; 11,125,331 warrants were issued with an exercise price of US \$0.70 and expiration date of August 31, 2009; 7,260,949 warrants were issued with an exercise price of \$0.88 and expiration date of November 9, 2009. In 2008 - 27,042,749 warrants were issued with an exercise price of \$0.25 and expiration date of September 30, 2010; 11,833,023 warrants were issued with an exercise price of \$0.25 and expiration date of December 31, 2010. In 2009- 4,923,934 warrants were issued with an exercise price of \$0.25 and expiration date of January 10, 2011; 3,525,807 warrants were issued with an exercise price of \$0.35 and expiration date of April 17, 2011.

TRANSACTIONS WITH RELATED PARTIES

Matt Russell
(President and Director)

		2008		2007
Due to Matt Russell	\$	--	\$	232,622
Management fees charged to the Company	\$	239,850	\$	241,875

Private Placement of shares of the Company	\$	1,192,501	\$	550,938
--------------------------------------------	----	-----------	----	---------

Completed private placements of 23,286,452 shares in 2008 (1,487,500 - 2007)

Randal Squires
(Chief Financial Officer)

		2008		2007
Due to Randal Squires	\$	--	\$	--
Management fees charged to the Company	\$	53,300	\$	53,750
Private Placement of shares of the Company	\$	534,583	\$	105,250

Completed private placements of 10,300,989 shares in 2008 (250,000 - 2007)

Edward Schiller
(Director)

		2008		2007
Directors fees charged to the Company	\$	6,000	\$	6,000

Ceased to be a director and related party as of March 11, 2009.

Jan Alston
(Director)

		2008		2007
Directors fees charged to the Company	\$	250	\$	--
Private Placement of shares of the Company	\$	15,750	\$	--

Completed private placements of 300,000 shares in 2008

Richard Nanna
(Director)

		2008		2007
Directors fees charged to the Company	\$	6,000	\$	6,000

Jon Slizza
(VP Finance and Investor Relations)

		2008		2007
Due to Jon Slizza	\$	-	\$	3,774
Management fees charged to the Company	\$	170,560	\$	92,808
Private Placement of shares of the Company	\$	37,378	\$	51,038

Completed private placements of 717,885 in 2008 (87,500 – 2007)

Joseph Green

		2008		2007
Due to Joseph Green	\$	8,701	\$	--

M2 Technical Services, Inc.

		2008		2007
Due to M2 Technical Services, Inc.	\$	--	\$	620,207
Plant & Equipment costs charged to Company	\$	--	\$	1,504,191
Exploration Services charged to Company	\$	US 502,560	\$	3,157,592

Ceased to be a related party as of April 30, 2008.

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

Effective January 1, 2008, the Company adopted several new CICA standards: section 1400 “General Standards of Financial Statement Presentation”, Section 1535 “Capital Disclosures”, Section 3862 “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments – Presentation”.

Section 1400 was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

Section 1535 establishes standards for disclosing information regarding the capital of the entity and how it is managed. The section specifies the disclosure of i) objectives, policies, and processes for managing capital by the entity; ii) quantitative data about what the entity regards as capital; iii) whether the entity has complied with any capital requirements; and iv) if it has not complied, the consequences of such non-compliance. See Note 16 for related disclosure.

Sections 3862 and 3863 replace section 3861 "Financial Instruments – Disclosure and Presentation" which revises and enhances financial instrument disclosure requirements and leaves unchanged its presentation requirements. The objective of section 3862 is to provide financial statement disclosure to enable users to evaluate the significance of financial instruments to the Company's financial position and performance. The section also requires increased disclosure on the nature and extent of risks arising from financial instruments that the Company is exposed to during the reporting period and the balance sheet date and how the Company is managing those risks. The purpose of section 3863 is to enhance the financial statement users' understanding of the significance of financial instruments to the Company's financial position, performance and cash flows.

FINANCIAL INSTRUMENTS

Property Risk

Unless the Company acquires or develops additional properties, the Company will be solely dependent upon the projects currently held by the Company. Any adverse development affecting these projects would have a material adverse effect on the Company's financial condition and results of operation.

Financial risk

The Company activities expose it to a variety of financial risks: credit risk, liquidity risk, currency risk and market risk. Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(a) Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and accounts receivable. Cash and cash equivalents are held with reputable chartered banks from which management believes the risk of loss is minimal.

Financial instruments included in accounts receivable consist of amounts due from joint venture partners and taxes receivable from Canadian and Mexican government authorities. Management believes that the credit risk concentration with respect to financial instruments in accounts receivable is minimal.

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2008 the Company had net working capital deficiency of \$29,944 (2007-\$2,959,143). Management of the Company is continuously monitoring its working capital position to ensure that funds are raised through the equity markets as they are required.

(c) 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 and Mexican Pesos. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

(d) Market risk

Market risk is the risk of loss that may arise from changes in the market factors such as interest rates, commodity and equity prices.

i. Interest rate risk

The company has cash balances. The Company's current policy is to invest excess cash in investment-grade short-term money market accounts. The Company periodically monitors the investments it makes and is satisfied with the credit worthiness of its investments. The Company relies on the Money Market managers to maximize the interest earned on the short-term investment to minimize any negative effects and maximize any positive effects from interest rate fluctuations. The Company regularly monitors its cash management policy.

ii. Commodity and equity price risk

The Company is exposed to price risk with respect to commodity and equity prices. Commodity price risk is defined as the potential adverse impact on earning and economic value due to commodity price movements and volatilities. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movement in individual equity prices or general movements in the level of the stock market. The Company closely monitors both commodity prices, particularly as they relate to base and precious metals, and individual equity movements as well as the stock market in general to determine the appropriate course of action to be taken by the Company.

Sensitivity analysis

As at December 31, 2008 both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Based on management's knowledge and experience of the financial markets, the Company believes that over the next year:

Interest rate risk is minimal as interest rates are anticipated to remain at historically low levels with little fluctuation and any excess cash is invested in money market funds to maximize interest revenue.

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of base and precious metals. Base and precious metal prices have fluctuated widely in the recent years. There is no assurance that, even as commercial quantities of base and precious metals may be produced in the future, a profitable market will exist. As at December 31, 2008 the Company had not defined any mineral resources on its properties. Commodity price risk may affect the completion of future equity offerings and the exercise of stock options and warrants. Equity price risk affects the ability to raise new capital as well as the amount of dilution to the current shareholders. Both the commodity risk and the equity risk may affect the Company's liquidity and its ability to meet its ongoing obligations.

The capital structure of the Company consists of equity attributable to common shareholders and includes share capital, contributed surplus, warrants, stock options and deficit.

CAPITAL MANAGEMENT

The Company's objectives in managing its capital are:

- i) To have sufficient capital to ensure that the Company can continue to meet its commitments with respect to its mineral exploration properties and to meet its day to day operating requirements in order to continue as a going concern.
- ii) To provide a long-term adequate return to shareholders.

The Company is an exploration stage company which involves a high degree of risk. The Company has not determined whether its properties contain economically recoverable reserves of ore and currently has not earned any revenue from its mineral properties and therefore does not generate cash flow from its operations. The Company's primary source of funds comes from the issuance of capital stock.

The Company considers its capital under management to be its capital stock, as presented on the balance sheet.

The Company manages its capital structure and makes adjustments to it in order to support the acquisition, exploration and development of mineral properties and to maintain the Company in good standing with the various regulatory authorities. The Company's policy is to invest its excess cash in highly liquid, fully guaranteed, bank sponsored instruments.

The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future development of the Company. The Company has no long-term debt and is not subject to externally imposed capital requirements.

RECENT ACCOUNTING PRONOUNCEMENTS

Recently the Accounting Standards Board (AcSB) approved new accounting recommendations which have not yet come into effect. The following is a summary of the new recommendations:

Intangible assets

The AcSB has issued new Section 3065, "Goodwill and Intangible Assets" which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. In particular, this

section restricts the ability of a company to recognize internal costs as deferred assets. This new standard has an effective date of October 31, 2008. This new standard does not have any effect on the Company's current financial statements.

The following standards were issued by the AcSB during 2009 and will be effective for the Company beginning on January 1, 2011:

Business combinations

Section 1582, *Business Combinations* will provide the Canadian equivalent to International Financial Reporting Standard IFRS 3, "Business Combinations" and replace the existing Section 1581, *Business Combinations*. The new Section 1582 will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests*. The Company is assessing the impact of these new standards on its consolidated financial statements.

Consolidated financial statements

Section 1601, *Consolidated Financial Statements* establishes standards for the preparation of consolidated financial statements and will replace the existing Section 1600, *Consolidated Financial Statements*. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1582, *Business Combinations* and Section 1602, *Non-Controlling Interests*. The Company is assessing the impact of these new standards on its consolidated financial statements.

Non-controlling interests

Section 1602, *Non-controlling Interests* establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1582, *Business Combinations* and Section 1601, *Consolidated Financial Statements*. The Company is assessing the impact of these new standards on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

The AcSB has confirmed that the use of the IFRS will be required in 2011 for publicly accountable profit oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. The Company is currently evaluating the impact of adopting IFRS and is in the process of developing a plan to complete the transition to IFRS.

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, 2008. Based on that evaluation, the Company's management concluded that the Company's disclosure controls and procedures were effective as of December 31, 2008.

ADDITIONAL INFORMATION

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