

AZTECA GOLD CORP.
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

To the Shareholders:
Azteca Gold Corp.

NOTICE TO READER

The interim consolidated balance sheet of Azteca Gold Corp. as at September 30, 2009, the interim consolidated statements of operations and deficit and the interim consolidated statements of cash flow for the nine months ended September 30, 2009 and September 30, 2008 have been compiled by management.

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

November 23, 2009

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

	For the three months ended September 30 th		For the nine months Ended September 30 th	
	2009	2008	2009	2008
REVENUE	\$ --	--	\$ --	--
EXPENSES				
Management fees	119,407	113,208	381,647	332,318
General and administrative	94,340	153,488	312,171	545,827
Warrant expense	-	-	210,218	-
Professional fees	57,526	15,574	191,358	116,086
Stock based compensation	36,413	10,295	109,240	797,852
Amortization	25,063	38,110	75,188	383,484
Listing and agent fees	16,617	3,387	49,316	15,104
Shareholder reporting	9,999	622	31,325	5,279
Interest and bank charges	7,564	285	11,570	989
OPERATING LOSS	(366,929)	(334,969)	(1,372,033)	(2,196,939)
LOSS BEFORE THE FOLLOWING ITEMS	(366,929)	(334,969)	(1,372,033)	(2,196,939)
OTHER ITEMS				
Rental income	--	2,152	--	117,884
Gain (loss) on foreign exchange	23,637	(258,112)	46,865	(240,678)
Interest income	18	2,950	152	17,384
Property write-off	--	(6,454,153)	--	(6,454,153)
Loss on sale of equipment	--	(449,659)	--	(597,245)
	23,655	(7,156,822)	47,017	(7,156,808)
NET AND COMPREHENSIVE INCOME (LOSS)	(343,274)	(7,491,791)	(1,325,016)	(9,353,747)
DEFICIT, beginning of period	\$ (12,888,234)	\$ (3,113,238)	\$ (11,906,492)	\$ (1,251,282)
DEFICIT, END OF PERIOD	\$ (13,231,508)	\$ (10,605,029)	\$ (13,231,508)	\$ (10,605,029)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.002)	\$ (0.070)	\$ (0.008)	\$ (0.087)

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

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

	For the three months ended September 30 th		For the nine months ended September 30 th	
	2009	2008	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net and comprehensive Income (loss)	\$ (343,274)	\$ (7,491,791)	\$ (1,325,016)	\$ (9,353,747)
Items not affecting cash				
Write-down of property	--	6,454,153	--	6,454,153
Warrant expense	--	--	210,218	--
Stock-based compensation	36,413	10,295	109,240	797,852
Amortization	25,063	38,110	75,188	383,484
Loss on sale of equipment	--	449,660	--	597,245
	(281,798)	(539,573)	(930,370)	(1,121,013)
Changes in non-cash working capital items				
Accounts receivable	(652,726)	57,383	(3,077,478)	(170,890)
Prepaid expenses	21,073	(1,820)	(47,304)	53,010
Accounts payable and accrued liabilities	381,327	31,306	451,961	13,515
Subscriptions received	--	--	--	--
Taxes payable	(4,411)	--	(17,653)	--
Minority interest	--	--	(7,173)	--
	(536,535)	(452,704)	(3,628,017)	(1,225,378)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of mineral exploration properties	(1,154,739)	(702,547)	(3,511,458)	(2,985,669)
Disposition (Purchase) of property, plant and equipment	--	540,700	(3,428)	1,643,281
Changes in non-cash working capital items				
Prepaid expenses	(81,625)	--	(81,625)	--
Accounts payable	190,497	351,347	2,368,161	(410,531)
	(1,045,867)	189,500	(1,228,350)	(1,752,919)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issuance of share capital	923,210	1,419,743	4,138,841	1,419,743
Advances from (to) shareholder	146,612	(145,222)	140,215	(236,396)
Shareholder loans	(35,535)	--	412,220	--
	1,034,287	1,274,521	4,691,276	1,183,347
CHANGE IN CASH POSITION	(548,115)	1,011,317	(165,091)	(1,794,950)
CASH, Beginning of period	566,257	959,293	183,233	3,765,560
CASH, END OF PERIOD	\$ 18,142	\$ 1,970,610	\$ 18,142	\$ 1,970,610

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. (the "Company") was incorporated in Ontario on March 26, 1957 and continued under the Business Corporations Act (Alberta) on February 25, 1980 as Hansa Corporation. On December 1, 2006 the Company changed its name from Hansa Corporation to Azteca Gold Corp. 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.

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3. **SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared using the historical cost basis in accordance with Canadian generally accepted accounting principles. These financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows:

Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Minera Azteca de Oro y Plata, S.A de C.V. (Mexico incorporation), Azteca Gold US (Nevada incorporation) and Azteca Gold Corp. (Washington incorporation). Also included is Coronado Mines LLC, in which the Company holds a 50% interest. All inter-company balances and transactions have been eliminated.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are accounts receivable, property, plant and equipment, mineral exploration properties, accounts payable and accrued liabilities and stock-based compensation.

Foreign exchange

The Company's subsidiaries are considered integrated foreign operations and the balances have been translated into Canadian dollars using the temporal method. Under this method monetary assets and liabilities have been translated at the quarter-end exchange rates. Non-monetary assets have been translated at the rate of exchange prevailing at the date of the transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets. Translation gains and losses are reflected in income or loss in the year they occur.

Cash

Cash consists of balances with financial institutions and lawyer's trust accounts. Interest earned on the Company's cash accounts are calculated using a floating interest rate based on the market treasury bill rates.

Mineral exploration properties

Costs of acquisition and development of mineral properties are capitalized on an area of interest basis. General and administrative costs are charged to expense in the year incurred. Costs capitalized together with the costs of production equipment will be amortized on a unit of production basis, based on estimated proven reserves of minerals of the areas, should such reserves be found.

Senior management regularly reviews the carrying amount of mineral properties and deferred exploration and development costs to assess whether there has been any impairment in value or if any impairment test is necessary due to various indicators being present. Properties are abandoned either when the lease expires or when management determines that no further work

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will be performed on the property since it has no value to the Company. When significant properties in an area of interest are abandoned, the costs related thereto are charged to income on a pro rata basis to the total costs to date included in the area, in the year of abandonment. The proceeds received from a partial disposition or an option payment are credited against the costs.

In addition, if there has been a delay in development activity for several successive years, a write down of those project capitalized costs will be charged to income.

Asset retirement obligation

The fair value of an asset retirement obligation is recognized in the period in which the obligation is incurred discounted to its present value using the Company's credit-adjusted risk-free interest rate. The fair value of the estimated obligation is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The costs capitalized to the related assets are amortized to earnings in a manner consistent with the depletion, depreciation and amortization of the underlying asset. The liability amount is increased in each reporting period due to passage of time and the amount of accretion is charged to earnings in the period. Revisions to the estimated timing of cash flows or to the original estimated undiscounted costs could also result in an increase or decrease to the obligation. Actual costs incurred upon settlement of the retirement obligation are charged against the obligation to the extent of the liability recorded. The likelihood of the overall effect upon the Company for any obligations is not predictable at this time, as it has not yet conducted activities that would trigger any obligations, such as commercial production.

Stock-based compensation

The Company has a stock based compensation plan, which is described in note 9. Awards of options under this plan are expensed based on the fair value of the options at the grant date. The amount is credited to contributed surplus. Fair values are determined using the Black-Scholes option-pricing model. If the options are subject to a vesting period, the expense is recognized over this period. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital plus the amounts originally recorded as contributed surplus.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Equipment and automotive	20%	declining balance method
Computer equipment	30%	declining balance method
Furniture and fixtures	20%	declining balance method
Leasehold improvements	5-year	straight line method

Half of the year's amortization is taken in the year of acquisition. The Company regularly reviews its property and equipment to eliminate obsolete items.

Future income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, the Company records future income taxes for the effect of any difference between the accounting and income tax basis of an asset or liability, using the substantively enacted income tax rates. Accumulated future income tax balances are adjusted to reflect changes in income tax rates that are substantively enacted with the adjustment being recognized in earnings in the period that the change occurs. Future tax assets are recognized to the extent that they are more likely than not to be realized.

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Revenue recognition

Interest income is recognized in the period it is earned and when payment is reasonably assured. Rental income is recognized in the period in which it is earned.

Loss per share

The calculation of basic loss per share is based on net earnings divided by the weighted average number of common shares outstanding.

The treasury stock method of calculating diluted per share amounts is used whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. In addition, diluted common shares also include the effect of the potential exercise of any outstanding warrants.

Financial Instruments

The Company has classified financial instruments as follows:

- Cash, cash equivalents, and marketable securities are classified as held for trading. They are measured at fair value and the gains and losses resulting from re-measurement at the end of each period are recognized in net income.
- Accounts receivable are classified as loans and receivables and are measured at amortized cost, which is generally the amount on initial recognition less an allowance for doubtful accounts.
- Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at cost.
- Advances from Shareholders are classified as other financial liabilities and are measured at cost.

4. **ACCOUNTS RECEIVABLE**

As at September 30, 2009, the Company has a receivable due by October 31, 2009, of \$3,675,358 from its joint venture partner Silver Royal Apex.

As part of the joint venture Silver Royal Apex will transfer its Joint Venture interest to Liard Resources USA Inc., a wholly owned subsidiary of Liard Resources Ltd. ("Liard"). Liard will undertake a private placement to raise the funds necessary to pay Azteca its share of the Joint Venture costs incurred by Azteca. Liard has granted to Azteca an option until October 1, 2009 to subscribe to units in a Liard private placement at an amount not to exceed \$0.50 per unit, each unit consisting of one common share of Liard Resources Ltd. and a two year common share purchase warrant. Azteca will be entitled to set off against the subscription price all or part of the debt owing to it pursuant to the Agreement at the time of the closing of the private placement. Liard also grants to Azteca the right to subscribe, for a period of 15 months from August 25, 2009, in any future Liard placements in such amounts that Azteca's holdings in Liard would equal up to 10% of the issued and outstanding shares of Liard, on a fully diluted basis (see subsequent event note).

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5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	2009 Net
Equipment and automotive	\$ 1,144,820	\$ 772,453	\$ 372,367
Computer equipment	49,666	30,665	19,001
Furniture and fixtures	7,344	3,021	4,323
Leasehold improvements	52,481	40,453	12,028
	1,254,311	846,592	407,719
Land	128,543	-	128,543
	\$ 1,382,854	\$ 846,592	\$ 536,262

	Cost	Accumulated Amortization	2008 Net
Equipment and automotive	\$ 1,144,820	\$ 679,912	\$ 464,908
Furniture and fixtures	7,344	1,992	5,352
Computer equipment	46,238	23,556	22,682
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

6. MINERAL EXPLORATION PROPERTIES

	2009	2008
Acquisition costs	\$ 9,982,704	\$ 8,758,475
Exploration costs	11,082,321	6,093,810
	\$ 21,065,025	\$ 14,852,285

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Consists of:

Guerra al Tirano - Reyna de Oro	\$	4,200,650	\$	3,057,180
Tres de Mayo		2,186,045		2,595,733
Matilde		1,875,866		1,348,483
Marietta		3,803,503		3,763,025
Bunker Hill		-		0
Two Mile		7,713,113		2,922,818
Orange		280,131		219,966
Clayton		44,094		-
Geroe Creek		961,623		945,080
				<u>\$ 21,065,025</u>
				<u>\$ 14,852,285</u>

7. DUE TO RELATED PARTIES

a) Advances from shareholders

	2009	2008
Due to Matthew Russell	\$ 37,195	\$ --
Due to Randal Squires	109,252	--
Due to Jon Slizza	2,469	--
	<u>\$ 148,916</u>	<u>\$ --</u>

b) Under loan agreements dated May 29, 2009, Matthew Russell loaned the Company \$285,000 USD and Randal Squires loaned the Company \$100,000 USD. Loans are to be repaid by May 31, 2011 and an interest rate of 6% applies. The remaining amounts due to the shareholders are non-interest bearing, unsecured and have no set repayment terms.

c) Total management fees paid for the nine months ended September 30, 2009 were \$381,647 (2008- \$332,318). Management fees paid were to Matthew Russell (President and CEO), Randy Squires (CFO), and Jon Slizza (VP of Finance and Investor Relations).

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8. MINORITY INTEREST

The consolidated financial statements include the accounts of Coronado Mines LLC in which the Company holds a 50% interest. Coronado Mines LLC holds title to the Matilde property. The following adjustments were made in the year 2008 to reflect the net assets and net loss from operations attributable to the non-controlling interests:

Net assets attributable to minority interest	\$ 7,173
Net and comprehensive loss attributable to minority interest	\$ 1,447

Net asset value has become negative for the nine month period ended September 30, 2009, therefore the non-controlling interest has been eliminated and no further adjustment has been made.

9. 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, 2007	107,399,247	\$ 17,119,600
Private placements issued for cash	50,708,793	2,603,046
Less fair market value of warrants issued	-	(823,536)
Issued as consideration for properties purchased	2,000,000	100,000
Balance December 31, 2008	160,108,040	\$ 18,999,110
Private placements issued for cash	17,087,024	2,273,575
Less fair market value of warrants issued	-	(745,732)
Exercise of warrants	6,366,067	1,152,392
Plus fair market value of warrants exercised	-	979,904
Debt settlement	6,249,384	749,926
Less fair market value of warrants issued for debt settlement	-	(366,789)
Share issuance costs	-	(37,052)
Balance September 30, 2009	189,810,515	\$ 23,005,334

On September 30, 2008 there was a private placement of 27,042,749 units at a price of \$0.0525 per unit. 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 \$506,725 has been allocated to the fair value of the warrants.

On December 5, 2008, 2,000,000 shares were issued at a deemed value of \$100,000 as consideration for the Matilde property.

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Between December 11, 2008 and December 31, 2008 the Company received funds pursuant to a private placement of 23,666,044 units at a price of \$0.05 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 \$0.25 per share. The total proceeds of the transaction were \$1,183,303 of which \$316,811 has been allocated to the fair value of the warrants.

On January 10, 2009 there was a private placement of 9,847,867 units at a price of \$0.05 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 \$0.25 per share. The total proceeds of the transaction were \$492,393 of which \$161,063 has been allocated to the fair value of the warrants.

On March 3, 2009, 4,391,250 shares were issued with respect to the exercise of warrants for total proceeds of \$658,687.

On April 17, 2009 there was a private placement of 3,525,807 units at a price of \$0.20 per unit. Each unit consisted of one common share and one share purchase warrant. Each warrant has a two-year term and is exercisable for \$0.35 per share. The total proceeds of the transaction were \$705,161 of which \$231,581 has been allocated to the fair value of the warrants.

On May 14, 2009 there was a private placement of 2,046,600 units at a price of \$0.20 per unit. Each unit consisted of one common share and one share purchase warrant. Each warrant has a two-year term and is exercisable for \$0.35 per share. The total proceeds of the transaction were \$409,320 of which \$134,366 has been allocated to the fair value of the warrants.

On June 29, 2009 there was a private placement of 1,666,750 units at a price of \$0.40 per unit. Each unit consisted of one common share and one share purchase warrant. Each warrant has a two-year term and is exercisable for \$0.75 per share. The total proceeds of the transaction were \$666,700 of which \$218,722 has been allocated to the fair value of the warrants.

In the month of June 2009, 1,283,017 shares were issued with respect to the exercise of warrants for total proceeds of \$320,754.

On July 2, 2009, 125,000 shares were issued with respect to the exercise of warrants for total proceeds of \$31,250.

On September 18, 2009, 6,249,384 units were issued to settle a debt of \$749,926. Each warrant has a two-year term and is exercisable for \$0.25 per share. \$366,789 has been allocated to the fair value of the warrants.

On September 30, 2009, 566,800 shares were issued with respect to the exercise of warrants for total proceeds of \$141,700.

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.

During 2008, 900,000 stock options were granted to directors of the Company at exercise prices ranging between \$0.25 and \$0.50 which expire five years from the date of issue. The fair value of the options issued totals \$42,210 which will be recorded in contributed surplus and expensed as stock compensation expense as the options vest. The amount 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; 0.9%, expected life; 5 years, vesting period; varies, future dividend yield; nil, expected volatility; 198%.

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During 2008, 3,300,000 stock options granted to a senior officer and consultants of the Company expired. The options were at exercise prices ranging from CDN \$0.35 and CDN \$0.77.

During 2009, 500,000 stock options granted to a director of the Company and 297,365 broker options expired. The options were at exercise prices ranging from \$0.25 to \$0.50.

	2009		2008	
	Number of options	Weighted average share price	Number of options	Weighted average share price
Outstanding options at January 1	7,800,656	\$ 0.57	10,200,656	\$ 0.61
Expired	797,365	0.40	2,800,000	0.68
Stock options, end of period	7,003,291	0.59	7,400,656	0.58

Options outstanding	Exercise price	Options exercisable at September 30, 2009	Expiry date
103,291	0.88	103,291	November 9, 2009
3,600,000	0.50	3,600,000	December 28, 2011
1,000,000	0.75	700,000 (i)	July 31, 2012
600,000	USD 0.70	600,000	September 6, 2012
1,000,000	0.77	1,000,000	September 25, 2012
300,000	0.50	100,000 (ii)	December 16, 2013
400,000	0.25	400,000	December 16, 2013
7,003,291		6,503,291	

(i) 300,000 vest July 31, 2010.

(ii) 100,000 vest December 16, 2009 and 100,000 vest December 31, 2010.

Warrants

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 \$0.25 per share, and expire on September 30, 2010. The fair value of the warrants issued totaled \$506,725. On December 31, 2008, 11,833,023 share purchase warrants were issued as part of a private placement on the same day. The warrants have an exercise price of \$0.25 per share, and expire on December 31, 2010. The fair value of the warrants issued totaled \$316,811. The fair values were debited to 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; 0.9%; expected life is two years; and expected volatility; 198%.

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 expiry date has been extended from December 11, 2008 and March 11, 2009 respectively to June 15, 2009. The fair value of the warrants was recalculated based off of the new warrant expiry date and a warrant

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expense of \$33,060 was recognized and credited to contributed surplus.

On January 10, 2009, 4,923,934 share purchase warrants were issued as part of a private placement on the same day. The warrants have an exercise price of \$0.25 per share and expire on January 09, 2011. The fair value of the warrants issued totaled \$155,009. On March 3, 2009, 4,391,250 warrants were exercised at a price of \$0.15 as a result of a temporary re-price. On April 17, 2009, 3,525,807 share purchase warrants were issued as part of a private placement on the same day. The warrants have an exercise price of \$0.35 per share and expire on April 17, 2011. The fair value of the warrants issued totaled \$182,892. On May 14, 2009, 2,046,600 share purchase warrants were issued as part of a private placement on the same day. The warrants have an exercise price of \$0.35 per share and expire on May 13, 2011. The fair value of the warrants issued totaled \$69,115. On June 10, 2009, 577,500 share purchase warrants were issued to management as part of loan agreements signed on May 29, 2009. The warrants have an exercise price of \$0.35 per share and expire on June 10, 2011. The fair value of the warrants issued totaled \$210,218. On June 29, 2009, 1,666,750 share purchase warrants were issued as part of a private placement on the same day. The warrants have an exercise price of \$0.75 and expire on June 29, 2011. The fair value of the warrants issued totaled \$94,560. In the month of June 2009, 1,283,017 warrants were exercised at a price of \$0.25.

On June 15, 2009, 16,554,665 warrants exercisable for \$0.50, expired.

On July 2, 2009, 125,000 warrants were exercised at a price of \$0.25.

On August 31, 2009 10,175,581 warrants with an exercise price of US\$0.70, expired.

On September 18, 2009 6,249,384 warrants were issued as part of a debt settlement. The fair value of the warrants issued was \$293,328.

On September 30, 2009, 566,800 warrants were exercised at a price of \$0.25.

A summary of the Company's warrants at September 30, 2009 is presented below:

	Warrants Outstanding	Average Exercise Price
Balance as at December 31, 2007	37,967,445	\$ 0.642
Issued with private placements	38,875,772	0.25
Balance as at December 31, 2008	76,843,217	0.444
Issued with private placements	12,163,091	0.36
Issued with loan agreements	577,500	0.35
Expiration of warrants	(26,730,246)	0.59
Debt settlement	6,249,384	0.25
Exercise of warrants	(6,366,067)	0.48
Balance as at September 30, 2009	62,736,879	\$ 0.34

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10. **SUBSEQUENT EVENTS**

On October 9, 2009, the Company issued 1,074,221 shares through the exercise of re-priced warrants for gross proceeds of \$107,422 of which \$49,730 has been allocated to the fair value of the warrants. Those exercising these warrants received a replacement warrant of the same amount, exercisable for \$0.15 for a period of two years from closing.

On October 9, 2009, shareholder loans in the amount of US\$385,000 were repaid.

On October 9, 2009, there was a private placement of 8,576,696 units at a price of \$0.08 per unit. Each unit consisted of one common share and one share purchase warrant. Each warrant has a two-year term and is exercisable for \$0.15 per share. The total proceeds of the transaction were \$686,136 of which \$317,642 has been allocated to the fair value of the warrants.

On October 29, 2009 the Two Mile Joint Venture Agreement was amended to provide Silver Royal Apex an extension until March 31, 2010 at which time they are required to pay their share of exploration costs incurred to date. In return Azteca will have, until February 28, 2010, options to convert all or a portion of the debt owed to it by Silver Royal Apex into common shares of Liard, at a price of the lesser of Cdn\$0.25 and a 20% discount from Liard's current equity placement, and to participate in any future private placements over the next 12 months from the date of the amendment, together to a maximum of 15% of the fully diluted capital of Liard.

11. **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's activities expose it to a variety of financial risks: credit risk, liquidity 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, accounts receivable and advances from shareholders. 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.

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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 September 30, 2009 the Company had net working capital of \$68,688 (2008 - \$1,915,486). 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) 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 and its 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.

iii. 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.

Sensitivity analysis

As at September 30, 2009 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:

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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 June 30, 2009 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.

Foreign currency risk could adversely affect the Company. In particular the Company's ability to operate in foreign markets. Foreign currency exchange has fluctuated greatly in recent years. There is no assurance that the current exchange rates will mirror rates in the future. A decline in the foreign exchange rate between the Canadian dollar and Mexican peso and US dollar will greatly affect the amount of exploration the Company is able to perform in these foreign markets. As a result, foreign currency risk may affect the level of operations of the Company in turn affecting the Company's stock price. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

Any change in the exchange rate between the Canadian dollar and the Mexican peso would have a minimal effect on the Company as activity in Mexico is currently at a minimum and the Company does not carry any significant Mexican currency. A \$0.01 increase or decrease in the Canadian/US foreign exchange rate would have resulted in an increase or decrease of \$3,545 in the Company's working capital balance as at September 30, 2009.