

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion is management's analysis of Azteca Gold Corp.'s operating and financial data for the quarters ended September 30, 2009 and 2008 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 November 23, 2009. Additional information relating to Azteca can be found at www.sedar.com.

MATERIAL 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. Readers are cautioned that the 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 the forward-looking statements. The Company will issue updates where actual results differ materially from any forward-looking statement previously disclosed.

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.

2009 OVERVIEW

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

1. On January 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 09, 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 were 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 \$658,687. Commissions of \$6,643 were paid.
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.
6. On May 14, 2009, the Company issued by way of private placement 2,046,600 units for gross proceeds of \$409,320. Commissions of \$3,952 were paid. 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 May 13, 2011.
7. On May 29, 2009, the Company entered into loan agreements totaling US \$385,000 for drilling and assaying expenses. Loan terms provide for the payment of interest at 6% and the granting of share purchase warrants on the basis of 150,000 warrants for each US \$100,000 in principal. Each warrant shall entitle the holder to subscribe for one Azteca share for CDN \$0.35 for a period of 2 years from the advance of the funds. A total of 577,500 warrants were issued due to loan agreements.
8. On June 17, 2009, the Company issued 272,000 shares through the exercise of warrants for gross proceeds of \$68,000. Commissions of \$3,050 were paid.
9. On June 19, 2009, the Company issued 100,000 shares through the exercise of warrants for gross proceeds of \$25,000.
10. On June 23, 2009, the Company issued 761,017 shares through the exercise of warrants for gross proceeds of \$190,254. Commissions of \$1,525 were paid.
11. On June 29, 2009, the Company issued by way of private placement 1,666,750 units for gross proceeds of \$666,700. Commissions of \$12,021 were paid. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share for \$0.75 per share until June 28, 2011.
12. On June 30, 2009, the Company issued 150,000 shares through the exercise of warrants for gross proceeds of \$37,500.

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

14. On August 10, 2009, the TSX Venture Exchange halted trading of the Company's stock pending a disclosure review by both the Alberta Securities Commission and the TSX Venture Exchange. Stock resumed trading on September 15, 2009.

15. On September 18, 2009, 6,249,384 units were issued to settle a debt of \$749,926. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share for \$0.25 per share until September 18, 2011.

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

RESULTS OF OPERATION

The Company incurred a comprehensive net loss of \$1,325,016 during the nine month period ended September 30, 2009 compared with a loss of \$9,353,747 during the nine month period ended September 30, 2008.

Net Loss from Operations

For the nine month period ending September 30, 2009, net loss from operations was \$1,372,033 compared to \$2,196,939 in 2008, resulting in a decrease of \$824,906. The decrease is related to declines in stock-based compensation expense, general and administrative costs and amortization expenses. Stock-based compensation expense is lower due to reduced options outstanding as of the end of the quarter. The general and administrative expenses declined as a result of reduced use of consultants and consolidation of storage and other operational facilities. The decline in amortization reflects the sale of three drills and miscellaneous equipment. The following table itemizes the net loss from operations for the quarters ended September 30, 2009 and 2008.

CONSOLIDATED SCHEDULE OF NET LOSS FROM OPERATIONS

For the nine months ended September 30,	2009	2008
Management fees	\$381,647	\$332,318
General and administrative	312,171	545,827
Warrant expense	210,218	-
Professional fees	191,358	116,086
Stock based compensation	109,240	797,852
Amortization	75,188	383,484
Listing fees and agent fees	49,316	15,104
Shareholder reporting	31,325	5,279
Interest and penalties	11,570	989
Total administrative expenses	1,372,033	2,196,939

Mineral Properties

The net asset value of the Company's mineral exploration properties as at September 30, 2009 is \$21,065,025 (2008-\$14,852,285).

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.

The Company is evaluating exploration plans for 2010 in light of higher precious metal prices.

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. There is a 1% NSR royalty on the 13 patented claims. 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. 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.

The Company is evaluating exploration plans for 2010 in light of higher precious metal prices.

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. Azteca has a 50% interest in the Joint Venture and is also the operator. The Two Mile Property is comprised of a total of 710 unpatented claims and 3 patented

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 2007 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.

On December 8, 2008 the Company announced significant progress on diamond drill hole DDH-005A (a deepening of an earlier hole DDH-001A) that began 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 began 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 began in mid-December 2008 approximately 1km west of DDH-005. The purpose of these two diamond drill holes is to attempt to repeat the success in intercepting massive sulfides as found in hole 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. The results of the mineral intercepts in this hole 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.

In mid-June 2009, DDH-006 was terminated due to mechanical failure of drill rods at 11,173 FT. A wedge-off hole DDH-006B was initiated at approximately 9,900 FT within DDH-006 the first week of July 2009 with the intention of continuing the discovery of anomalous calcium carbonates reported July 3, 2009 in approximately the last 100 FT of DDH-006. The geologic concept being pursued by the Company is that massive sulfides may be intercepted within or below these carbonates. As of this release, the current depth of DDH-006B is 11,345 FT. The Company is evaluating plans for further drilling.

DDH-005B was halted at 8,744 FT in mid-March 2009 to evaluate the results and make a recommendation to continue the hole. The hole was continued starting the second week of July 2009 and the depth is currently at approximately 10,243 FT. The Company is evaluating plans for further drilling.

During the third and early fourth quarter, the Company conducted a downhole gravity geophysical survey and released an independent technical report dated November 16, 2009 summarizing the results of the survey. Based on the results, the Company's QP, Richard Nanna, recommended assaying various intervals in holes DDH-005 and DDH-006 before continuing with a drill program.

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. The 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. There are no exploration plans for the remainder of 2009.

Clayton Silver Mine (Clayton, Idaho)

The Company has an option to purchase the Clayton Silver Mine for US \$500,000. The Company is currently renegotiating the option.

Project Orange (Shoshone and Kootenai County, Idaho)

The company has staked a total of 147 claims covering 3,037 acres in Idaho and is currently assessing potential drill targets.

Equipment

The Company owns equipment carried at a depreciated value of \$536,262 (2008- \$640,867). The Company currently attempts to rent out or sell excess equipment when it is not being utilized for its own projects.

SUMMARY OF QUARTERLY RESULTS

	2009				2008			2007
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net loss from operations	\$366,929	\$557,619	\$447,485	\$1,359,094	\$334,969	\$722,822	\$1,139,148	\$2,523,613
Net loss from operations on a per share basis	0.002	0.003	0.003	0.012	0.003	0.007	0.011	0.024
Net income (loss)	(343,274)	(531,398)	(450,344)	(1,301,463)	(7,491,791)	(713,153)	(1,148,803)	(2,073,125)
Net income (loss) on a per share basis	(0.002)	(0.003)	(0.003)	(0.011)	(0.070)	(0.007)	(0.011)	(0.019)

LIQUIDITY AND CAPITAL RESOURCES

The net loss from operations for the quarter ended September 30, 2009 was funded with cash reserves and the issuance of capital stock. As of September 30, 2009 the Company had net working capital of \$68,688 (2008 working capital-\$1,915,486). Future operations will continue to be funded from receivables and the issuance of capital stock.

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. **See subsequent event note four.**

Cash Flow Requirements for Next 12 months

Exploration Programs	\$3,000,000
Claims and Concessions Fees and Taxes	\$ 500,000
General and Administration	<u>\$1,500,000</u>
Total Estimated Expenses	\$5,000,000

Property Commitments:

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

OTHER 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 that expire on December 31, 2009. The Company has a commitment of US \$6,600 remaining for the final three months of the leases.

SUBSEQUENT EVENTS OR PROPOSED TRANSACTIONS

1. 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 new 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.
2. On October 9, 2009, shareholder loans in the amount of US\$385,000 were repaid.
3. 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..
4. 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.

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 as at November 23, 2009

Common shares issued and outstanding	199,461,432
Stock Options outstanding ⁽¹⁾	6,900,000
Warrants Outstanding ⁽²⁾	65,541,847

- (1) a) 3,600,000 fully vested options were issued in 2006 under the Company's Stock Option Plan with exercise prices of \$0.50;
- b) 2,000,000 stock options with exercise prices ranging between \$0.75 and \$0.77 and 600,000 stock options with exercise prices of US\$0.70 were granted in 2007 to directors, senior officers and consultants of the Company. 2,300,000 are fully vested and 300,000 vest during 2010;
- c) 700,000 options were granted to directors in 2008 at an exercise price ranging between \$0.25 and \$0.50. 500,000 are fully vested with 100,000 vesting in 2009 and 2010;
- All the above issued options expire 5 years from the date of issue;
- d) Two sets of fully vested 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 expired August 31, 2009 and 103,291 with an exercise price of \$0.88 expired November 9, 2009.
- (2) a) In 2007-11,125,331 warrants were issued with an exercise price of US \$0.70 and expiration date of August 31, 2009, 949,750 were exercised and 10,175,581 expired; 7,260,949 warrants were issued with an exercise price of \$0.88 and expiration date of November 9, 2009, 1,489,221 were exercised and 5,771,728 expired.
- b) In 2008 - 27,042,749 warrants were issued with an exercise price of \$0.25 and expiration date of September 30, 2010, 566,800 were exercised on September 30, 2009; 11,833,023 warrants were issued with an exercise price of \$0.25 and expiration date of December 31, 2010.
- c) In 2009- 4,923,934 warrants were issued with an exercise price of \$0.25 and expiration date of January 09, 2011, and 1,408,017 of those warrants have been exercised; 3,525,807 warrants were issued with an exercise price of \$0.35 and expiration date of April 17, 2011; 2,046,600 warrants were issued with an exercise price of \$0.35 and expiration date of May 13, 2011; 577,500 warrants were issued with an exercise price of \$0.35 and expiration date of June 10, 2011; 1,666,750 warrants were issued with an exercise price of \$0.75 and expiration date of June 29, 2011; 6,249,384 warrants were issued with an exercise price of \$0.25 and expiration date of September 19, 2011; 9,650,917 warrants were issued with an exercise price of \$0.15 and expiration date of October 10, 2011.

TRANSACTIONS WITH RELATED PARTIES

Matt Russell
(President and Director)

		2009		2008
Due to Matt Russell	\$	37,195	\$	1,182
Management fees charged to the Company	\$	197,404	\$	171,889
Private Placement of shares of the Company and exercise of warrants	\$	453,312	\$	591,755

Completed private placements of 610,000 shares in 2009 and exercised 2,818,750 warrants.

Randal Squires
(Chief Financial Officer)

		2009		2008
Due to Randal Squires	\$	109,252	\$	--
Management fees charged to the Company	\$	43,868	\$	38,198
Private Placement of share of the Company and exercise of warrants	\$	192,250	\$	410,205

Completed private placements of 305,000 shares in 2009 and exercised 875,000 warrants.

Edward Schiller
(Director)

		2009		2008
Directors fees charged to the Company	\$	1,177	\$	4,500

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

Jan Alston
(Director)

		2009		2008
Directors fees charged to the Company	\$	4,500	\$	--
Private Placement of shares of the Company	\$	13,000	\$	15,750

Completed private placements of 260,000 shares in 2009 (300,000 – 2008).

Richard Nanna
(Director)

		2009		2008
Directors fees charged to the Company	\$	4,500	\$	4,500

Jon Slizza
(VP Finance and Investor Relations)

		2009		2008
Due to Jon Slizza	\$	2,469	\$	--
Management fees charged to the Company	\$	140,376	\$	122,232
Exercised warrants of the Company	\$	16,312	\$	31,159

Exercised 108,750 warrants in 2009

Joseph Green

		2009		2008
Due to Joseph Green	\$	(270)	\$	--

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. These loans were repaid during October 2009. The remaining amounts due to related parties are non-interest bearing, unsecured and have no set repayment terms.

CONTINGENT LIABILITIES

The Company has no contingent liabilities and is not aware of any pending or potential liabilities that would affect the liquidity or operations of the Company.

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 11 in financial statements 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's 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 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. Under current market conditions the Company is confident that it can raise the required funds to meet its exploration commitments. In the event that conditions change whereby the Company is unable to raise the required funds or is unable to realize its receivable then it will

adjust the exploration programs accordingly. This could result in a negative affect in the Company's equity valuation.

(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 earnings 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 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:

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 September 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 has decreased and an improvement is anticipated in the overall equity markets. Equity price risk affects the ability to raise new capital as well as the amount of dilution to the current shareholders. Equity markets are continuously affected by the sentiment of investors based on their perception of the management of the Company, success of the Company's exploration programs, overall market outlook and economic conditions. In the case of the Company's receivable the equity markets conditions can also affect the ability of Liard Resources Ltd. to raise sufficient capital to pay its commitment which could result in further liquidity risk.

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.

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 long-term debt with certain management of the Company and is subject to externally imposed capital requirements as referenced in the related party section.

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.

ADDITIONAL INFORMATION

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