

AZTECA GOLD CORP.
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010

To the Shareholders:
Azteca Gold Corp.

NOTICE TO READER

The interim consolidated balance sheet of Azteca Gold Corp. as at March 31, 2010, the interim consolidated statements of operations and deficit and the interim consolidated statements of cash flow for the three months ended March 31, 2010 and March 31, 2009 have been compiled by management and are the responsibility of the management of the Company. The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles, and reflect management's best estimates and judgment based on currently available information.

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

May 26, 2010

AZTECA GOLD CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited- prepared by management)

As at	March 31,	December 31,
	2010	2009
		(audited)

ASSETS

CURRENT

Cash	\$ 3,667	\$ 6,355
Accounts receivable (note 5)	448,139	592,312
Prepaid expenses	17,884	30,514
	469,690	629,181

PROPERTY AND EQUIPMENT (note 6)	460,956	511,199
	\$ 930,646	\$ 1,140,380

LIABILITIES

CURRENT

Accounts payable and accrued liabilities	\$ 3,613,698	\$ 3,683,967
Taxes payable	-	20,789
Advances from shareholders (note 8(a))	388,312	320,743
	4,002,010	4,025,499

SHAREHOLDERS' EQUITY

SHARE CAPITAL (note 9)	23,135,290	23,135,290
CONTRIBUTED SURPLUS	12,193,222	12,183,945
DEFICIT	(38,399,876)	(38,204,354)
	(3,071,364)	(2,885,119)
	\$ 930,646	\$ 1,140,380

Going Concern (note 2)

Approved on behalf of the Board

Matthew Russell ("Signed")

Jan Alston ("Signed")

See accompanying notes to the consolidated financial statements

AZTECA GOLD CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited- prepared by management)

FOR THE THREE MONTHS ENDED MARCH 31,	2010	2009 restated Note 3
EXPENSES		
Exploration of mineral properties (note 7)	\$ 124,628	\$ 1,616,344
Management fees (note 8(b))	113,111	135,350
General and administrative	8,089	136,670
Professional fees	17,006	77,203
Stock-based compensation (note 9)	9,277	36,413
Amortization	18,678	29,826
Loss (gain) on foreign exchange	(119,974)	2,880
Listing and agent fees	10,897	19,483
Shareholder reporting	2,614	11,733
Interest and bank charges	4,322	807
	188,648	2,066,709
LOSS BEFORE THE FOLLOWING ITEMS:	(188,648)	(2,066,709)
OTHER ITEMS		
Interest income	1	21
Loss on sale of equipment	(6,875)	-
	(195,522)	(2,066,688)
NET AND COMPREHENSIVE LOSS	(195,522)	(2,066,688)
DEFICIT, beginning of year	(38,204,354)	(29,460,059)
	\$ (38,399,876)	\$(31,526,747)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.001)	\$ (0.012)

See accompanying notes to the consolidated financial statements

AZTECA GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited- prepared by management)

FOR THE THREE MONTHS ENDED MARCH 31,	2010	2009 restated Note 3
CASH FLOWS FROM OPERATING ACTIVITIES		
Net and comprehensive loss	\$ (195,522)	\$ (2,066,688)
Items not affecting cash		
Stock-based compensation	9,277	36,413
Amortization	18,678	29,826
Loss on sale of equipment	6,875	-
Warrant expense	-	-
	(160,692)	(2,000,449)
Changes in non-cash working capital items		
Accounts receivable	144,173	(1,494,408)
Prepaid expenses	12,630	76
Taxes payable	(20,789)	(7,366)
Minority interest	-	(7,173)
Subscriptions received	-	580,645
Accounts payable and accrued liabilities	(70,269)	1,561,153
	(94,947)	(1,367,522)
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposition (purchase) of property and equipment	24,690	(3,428)
	24,690	(3,428)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	-	1,134,244
Advances from (to) shareholders, net	67,569	76,037
	67,569	1,210,281
CHANGE IN CASH	(2,688)	(160,669)
CASH, beginning of period	6,355	183,233
CASH, end of period	\$ 3,667	\$ 22,564

See accompanying notes to the consolidated financial statements

AZTECA GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2010 and 2009

1. NATURE OF OPERATIONS

Azteca Gold Corp. (the "Company" or "Azteca") 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. Future operations are 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. At March 31, 2010 the Company has a working capital deficiency of \$3,532,320 (2009 - \$906,750) and cumulative losses since inception of \$38,399,876 (2009 - \$12,356,836).

The Company will 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.

Although the Company has taken steps to verify the title to 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. GOING CONCERN

These 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 has a significant working capital deficiency and, therefore, its ability to meet future commitments on its properties and to continue its operations 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 and such adjustments may be significant.

AZTECA GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

3. CHANGES IN ACCOUNTING POLICIES

Effective December 31, 2009 the Company has adopted a new policy to expense acquisition and exploration costs related to mineral properties in the year in which they occur. Once a property reaches the development stage the Company will then commence to capitalize those costs related to the development of that property to be amortized over the useful life of the property, subject to an impairment test when events and circumstances indicate that the carrying amount may not be recoverable. The Company has adopted this change on a retroactive application basis with the restatement of prior periods. The Company has done this change of accounting policy to provide more reliable and relevant information to the user as it will show the costs incurred per year as a period expense for the exploration as decisions are not made based on the costs already incurred on a property but rather on its future production potential.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared using the historical cost basis in accordance with Canadian generally accepted accounting principles. These consolidated 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). 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 consolidated estimates are subject to measurement uncertainty. The effect of changes in such estimates on the consolidated financial statements in future periods could be significant. Accounts specifically affected by estimates in these consolidated financial statements are accounts receivable, property and equipment, accounts payable and accrued liabilities and stock-based compensation and payments.

Foreign exchange

The Company's subsidiaries are 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 year-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 operations 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 may bear a floating interest rate based on the market treasury bill rates.

AZTECA GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

4. **SIGNIFICANT ACCOUNTING POLICIES, continued**

Mineral exploration properties

Costs of acquisition and exploration of mineral properties are expensed in the year in which they occur. Development costs will be capitalized on a property specific basis. 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 will regularly review the carrying amount of development costs to assess whether there has been any impairment in value or if any impairment test is necessary when events and circumstances indicate that the carrying amount may not be recoverable.

Properties are abandoned either when the lease expires or when management determines that no further work will be performed on the property. The proceeds received from a partial disposition or an option payment, are credited against the costs expensed during the year if the property is in the exploration stage or against the capitalized costs if the property is in the development stage.

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 operations.

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. Warrants issued are recorded at estimated fair values using the Black-Scholes option-pricing model. For non-employees, the fair value of the options or warrants are measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and nonforfeitable. If and when the stock options or warrants are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

Property and Equipment

Property 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 evaluates the recoverability of its property and equipment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when estimated undiscounted future cash flows are less than its carrying amount and an impairment loss is measured by comparing the carrying amount of the assets to its fair value.

AZTECA GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. **SIGNIFICANT ACCOUNTING POLICIES, continued**

Revenue recognition

Interest income is recognized on a pro rata basis over the term of the investment 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 loss 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 is classified as held for trading. It is 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.

Transaction costs related to the acquisition or disposal of a financial asset or liability are expensed as incurred.

The Company has no items that are included in comprehensive loss therefore the net loss and comprehensive loss are the same.

Joint Operations

Some of the operations of the Company are conducted jointly with others and, accordingly, these consolidated financial statements reflect only the Company's proportionate interest in such activities.

5. **ACCOUNTS RECEIVABLE**

As at March 31, 2010, the Company has a receivable due by June 30, 2010, of \$3,484,496 from its joint venture partner Silver Royal Apex. The Company has made an allowance for doubtful receivable in the amount of \$3,106,222 as its future recovery is uncertain, leaving a balance receivable of \$378,274.

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

AZTECA GOLD CORP.
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5. ACCOUNTS RECEIVABLE continued

Venture costs incurred by Azteca. Liard also grants to the Company the right to subscribe, until June 30, 2010, for shares of Liard at a price equal to the lesser of \$0.25 and a 20% discount from the equity placement to be completed by Liard prior to June 30, 2010 such that the Company's holdings in Liard is not greater than 15% of the issued and outstanding shares on a fully diluted basis.

Subsequent to the end of the quarter, Silver Royal Apex paid US \$300,000.

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	2010 Net
Equipment and automotive	\$ 1,113,255	\$ 810,483	\$302,772
Computer equipment	49,666	33,732	15,934
Furniture and fixtures	7,344	3,478	3,866
Leasehold improvements	52,481	42,640	9,841
	1,222,746	890,333	332,413
Land	128,543	-	128,543
	\$ 1,351,289	\$ 890,333	\$ 460,956

	Cost	Accumulated Amortization	2009 Net
Equipment and automotive	\$ 1,144,820	\$ 733,367	\$ 411,453
Furniture and fixtures	7,344	2,514	4,830
Computer equipment	49,666	27,083	22,583
Leasehold improvements	52,481	38,266	14,215
	1,254,311	801,230	453,081
Land	128,543	-	128,543
	\$ 1,382,854	\$ 801,230	\$ 581,624

AZTECA GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

7. MINERAL EXPLORATION EXPENDITURES

	2010	2009
Current period expenditures	\$ 124,628	\$ 1,616,344
Prior year expenditures	22,515,217	17,553,567
Total exploration expenditures	22,639,845	19,169,911
Less abandoned property	\$ (44,854)	--
Expenditures on properties held	<u>\$22,594,991</u>	<u>\$ 19,169,911</u>

	2010	2009
Acquisition costs	\$ 8,117,027	\$ 9,777,840
Exploration costs	14,477,964	9,392,071
	<u>\$ 22,594,991</u>	<u>\$ 19,169,911</u>

Consists of:

Guerra al Tirano - Reyna de Oro	\$ 4,213,768	\$ 4,379,239
Tres de Mayo	2,186,409	2,184,684
Matilde	-	1,872,377
Marietta	3,802,840	3,777,986
Two Mile	11,143,358	5,708,476
Orange	283,005	252,503
Clayton	-	33,434
Geroe Creek	965,611	961,212
	<u>\$ 22,594,991</u>	<u>\$ 19,169,911</u>

8. DUE TO RELATED PARTIES

a) Advances from Shareholders	2010	2009
Due to Matt Russell	173,453	81,163
Due to Randy Squires	101,059	553
Due to Jon Slizza	113,800	3,598
Due to Joseph Green	--	(576)
	<u>\$ 388,312</u>	<u>\$ 84,738</u>

The amounts due to the shareholders are non-interest bearing, unsecured and have no set repayment terms and accordingly have been presented as current liabilities as repayments may be demanded at any time.

AZTECA GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

8. DUE TO RELATED PARTIES continued

b) Total management fees during the first quarter of 2010 were US \$108,750 (2009- US \$108,750). Management fees are charged by the President and Chief Executive Officer, the Chief Financial Officer and the Vice President of Finance and Investor Relations.

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, 2008	160,108,040	18,999,110
Private placements issued for cash	25,663,720	2,959,710
Less fair value of warrants issued per private placement	-	(1,250,051)
Less fair value of warrants issued per warrant exercise	-	(49,286)
Exercise of warrants	7,440,288	1,259,814
Plus fair value of warrants exercised	-	847,094
Debt settlement	6,249,384	749,926
Less fair value of warrants issued for debt settlement	-	(343,976)
Share issuance costs	-	(37,051)
Balance December 31, 2009	199,461,432	23,135,290
Balance March 31, 2010	199,461,432	\$ 23,135,290

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 \$135,443 has been allocated to the fair value of the warrants. Management and directors participated for a total of \$43,500.

On March 3, 2009, 4,391,250 shares were issued with respect to the exercise of warrants for total proceeds of \$658,687. Management and directors participated for a total of \$570,375.

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 \$316,429 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 \$183,701 has been allocated to the fair value of the warrants. Management and directors participated for a total of \$61,000.

AZTECA GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

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 \$299,673 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 unit consisted of one common share and one warrant. Each warrant has a two-year term and is exercisable for \$0.25 per share. \$343,976 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.

On October 9, 2009, the Company issued 1,074,221 shares through the exercise of re-priced warrants from \$0.88 per share to \$0.10 per share, for gross proceeds of \$107,422 of which \$49,286 has been allocated to the fair value of the warrants. Those exercising these warrants received one replacement warrant for each warrant exercised, which were exercisable for \$0.15 for a period of two years from closing.

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 \$314,806 has been allocated to the fair value of the warrants. Management and directors participated for a total of \$413,875.

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 2009, 500,000 director options and 400,656 broker options expired. The options were at exercise prices ranging from \$0.25 to \$0.88.

	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding options at beginning and end of period	6,900,000	\$ 0.59	7,800,656	\$ 0.57

AZTECA GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

9. **SHARE CAPITAL, continued**

Options outstanding	Exercise price	Options exercisable at March 31, 2010	Expiry date
3,600,000	0.50	3,600,000	December 28, 2011
1,000,000	0.75	700,000 (i)	July 31, 2012
600,000	US 0.70	600,000	September 6, 2012
1,000,000	0.77	1,000,000	September 25, 2012
300,000	0.50	200,000 (ii)	December 16, 2013
400,000	0.25	400,000	December 16, 2013
6,900,000		6,500,000	

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

(ii) 100,000 vest December 31, 2010.

Warrants

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 \$135,443.

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 \$316,429.

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 \$183,701.

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 \$299,673.

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 \$343,976.

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

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9. **SHARE CAPITAL, continued**

On October 9, 2009, 1,074,221 warrants issued with an exercise price of \$0.88 were exercised at a price of \$0.10 as a result of a temporary re-price. As part of the same transaction, 1,074,221 warrants were issued on the same day. The warrants have an exercise price of \$0.15 and expire on October 9, 2011. The fair value of the warrants issued totaled \$49,286.

On October 9, 2009, 8,576,696 share purchase warrants were issued as part of a private placement on the same day. The warrants have an exercise price of \$0.15 and expire on October 9, 2011. The fair value of the warrants issued totaled \$314,806.

On November 8, 2009 5,771,728 warrants with an exercise price of \$0.88, expired.

A summary of the Company's warrants at March 31, 2010 is presented below:

	Warrants Outstanding	Average Exercise Price
Balance as at December 31, 2008	76,843,217	0.444
Issued with private placements	20,739,787	0.276
Issued with loan agreements	577,500	0.305
Expiration of warrants	(32,501,974)	0.639
Debt settlement	6,249,384	0.25
Exercise of warrants	(7,440,288)	0.425
Issued with warrant exercise	1,074,221	0.15
Balance as at December 31, 2009	65,541,847	0.27
Balance as at March 31, 2010	65,541,847	\$ 0.27

Warrants Outstanding	Exercise Price	Expiry Date
9,650,917	\$0.15	October 9, 2011
26,475,949	\$0.25	September 30, 2010
11,683,023	\$0.25	December 31, 2010
9,915,301	\$0.25	January 9, 2011
3,525,807	\$0.35	April 17, 2011
2,046,600	\$0.35	May 13, 2011
577,500	\$0.35	June 10, 2011
1,666,750	\$0.75	June 29, 2011
65,541,847		

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10. SUBSEQUENT EVENTS

On April 26, 2010, the Company (on behalf of the Two Mile Joint Venture) paid US \$10,000 towards its obligations in respect to the Claim Purchase Agreement with Shoshone Silver Gold Mining Company for 15 unpatented mineral claims located in Idaho. Failure to pay an additional US \$155,000 by May 30, 2010 will terminate the agreement with no further recourse available for either party.

11. FINANCIAL INSTRUMENTS

Property risk

Unless the Company's 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, 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 is held with reputable chartered banks from which management believes the risk of loss is minimal.

Included in accounts receivable are amounts due from joint venture partners and taxes receivable from Canadian and Mexican government authorities.

b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient resources to meet liabilities when due. As at March 31, 2010 the Company had a net working capital deficiency of \$3,532,320 (2009 - \$906,750). Management of the Company is continuously monitoring its working capital position and will raise funds through the equity markets as they are required; however, there is no certainty that the Company will be able to obtain funding by share issuances in the future.

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 and currency rates.

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

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worthiness of its investments.

The Company does not have any bank debt and is therefore not exposed to the associated risk due to interest rate fluctuations.

ii. Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earning and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to base and precious metals, and 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 operations 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 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 March 31, 2010 and 2009 the carrying and fair value amounts of the Company's financial instruments are approximately equivalent. Based on management's knowledge and experience, 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.

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability 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 if commercial quantities of base and precious metals may be produced in the future, a profitable market will exist. As at March 31, 2010 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.

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 may 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 and 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. The Company has greater exposure with respect to its holdings of US dollars. After taking into account the allowance for doubtful accounts a \$0.10 increase or decrease in the Canadian/US foreign exchange rate would have resulted in an increase or decrease of \$342,983 in the Company's working capital deficiency balance as at March 31, 2010. The Company anticipates that it will recover the US denominated

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receivable which would result in a lesser exposure of an increase or decrease of \$37,192, although there is no guarantee that this will happen. The Company raises much of its private placement funds in US dollars which could affect the overall exposure to exchange rates in the future.