EAGLECREST EXPLORATIONS LTD.

Consolidated Financial Statements

For the Nine Months ended June 30, 2009

(Un-audited – Prepared by Management)

EAGLECREST EXPLORATIONS LTD.

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(TSXV: Symbol EEL)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, Eaglecrest Explorations Ltd. (the "Company") discloses that the accompanying un-audited interim consolidated financial statements for the nine months ended, June 30, 2009, were prepared by management.

The Company's independent auditor has not performed a review of these un-audited interim consolidated financial statements.

EAGLECREST EXPLORATIONS LTD.
Consolidated Balance Sheets
As at June 30, 2009 and September 30, 2008

	June 30 2009 (Un-audited)	September 30 2008 (Audited)
Assets	$	$
Current		
Cash	1,829,934	765,445
Receivables	25,977	204,953
Prepaid expenses and deposits	48,760	51,736
	1,904,671	1,022,134
Property, plant and equipment (note 3)	40,926	143,033
Resource properties (schedule 1 and note 5)	44,426,042	42,968,028
	46,371,639	44,133,195
Liabilities		
Current		
Accounts payable and accrued Liabilities	922,114	791,380
Convertible Debenture (note 7)	669,844	535,131
	1,591,958	1,326,511
Asset retirement obligation - Note 2	80,000	80,000
	1,671,958	1,406,511
Shareholders' Equity		
Share capital (note 7(b))	63,779,147	63,779,147
Share subscriptions (note 7(f))	3,462,252	1,156,000
Share subscriptions receivable (note 7 (h))	(263,597)	(558,885)
Contributed surplus (note 7(i))	3,088,439	3,088,439
Deficit	(25,366,560)	(24,738,017)
	44,699,681	42,726,684
	46,371,639	44,133,195

Nature of Operations and Going Concern (Note 1)

Approved by the Board of Directors:

"Paul Zdebiak" *"Hans Rasmussen"*

Paul Zdebiak Hans Rasmussen

See notes to the consolidated financial statements

EAGLECREST EXPLORATIONS LTD.
Consolidated Statements of Operations and Deficit
For the Three Months and Nine Months Ended June 30, 2009 and 2008
(Un-audited – Prepared by Management)

	Three Months Ended June 30		Nine Months Ended June 30	
	2009	2008	2009	2008
	$	$	$	$
Expenses:				
Accounting and audit	11,904	9,654	34,843	74,976
Administration	30,000	30,000	90,000	82,500
Advertising	-	-	-	10,200
Amortization	1,653	1,753	4,960	5,258
Bank charges and interest (net)	(443)	1,236	636	3,902
Consulting	-	101,860	-	122,571
Corporate development	47,604	100,676	133,980	420,018
Filing fees	-	7,592	9,209	62,393
Foreign exchange loss (gain)	(103,403)	(7,100)	(123,807)	(14,208)
Insurance	12,225	12,637	36,740	39,182
Interest on convertible debenture	37,585	32,085	114,671	95,999
Legal	3,314	19,148	13,932	42,974
Management fees	52,312	45,738	163,435	134,873
Office and printing	9,172	15,912	62,076	70,398
Shareholders information	2,205	4,533	6,809	35,738
Stock-based compensation	-	164,300	-	350,845
Transfer agent	4,730	3,230	9,515	15,439
Travel and promotion	25,503	47,281	71,890	220,351
Total expenses	134,361	590,535	628,889	1,773,409
Other item:				
General exploration costs	-	50,965	-	50,965
Interest income	-	(477)	(346)	(12,540)
Net loss for the period	(134,361)	(641,023)	(628,543)	(1,811,834)
Deficit - beginning of period	(25,232,199)	(23,625,265)	(24,738,017)	(22,454,454)
Deficit - end of period	(25,366,560)	(24,266,288)	(25,366,560)	(24,266,288)
Loss per common share (note 2)	$0.00	$0.00	$0.00	($0.01)
Weighted-average number of common shares outstanding	367,925,772	327,208,669	367,925,772	327,208,669

See notes to the consolidated financial statements

EAGLECREST EXPLORATIONS LTD.
Consolidated Statements of Cash Flows
For the Three Months and Nine Months Ended June 30, 2009 and 2008
(Un-audited – Prepared by Management)

	Three Months Ended June 30		Nine Months Ended June 30	
	2009	2008	2009	2008
	$	$	$	$
Cash provided by (used in):				
Operating activities				
Net loss for the period	(134,361)	(641,023)	(628,543)	(1,811,834)
Items not affecting cash:				
Accretion of convertible debenture	23,634	19,861	70,902	59,583
Amortization	1,653	1,753	4,960	5,258
Foreign exchange adjustments	(27,797)	(3,795)	78,504	12,501
General explorations	-	50,965	-	-
Stock-based compensation	-	164,300	-	350,845
	(136,871)	(407,939)	(474,177)	(1,383,647)
Net change in non-cash working capital items:				
Receivables	(7,512)	(6,713)	459,572	171,634
Prepaid expenses and deposits	15,840	56,847	2,976	(8,313)
Accounts payable and accrued liabilities	226,040	(121,422)	130,734	(371,768)
	97,497	(479,227)	119,105	(1,592,094)
Financing activities				
Loan	-	-	-	(600,000)
Shares subscribed	1,861,272	970,641	2,306,252	1,424,237
Cash received for capital stock issued (net)	-	-	-	3,679,423
	1,861,272	970,641	2,306,252	4,503,660
Investing activities				
Property, plant and equipment expenditures	-	-	-	(22,151)
Resource property expenditures	(266,960)	(443,882)	(1,360,868)	(3,496,633)
	(266,960)	(443,882)	(1,360,868)	(3,518,784)
Increase (decrease) in cash	1,691,809	47,532	1,064,489	(607,218)
Cash - beginning of period	138,125	209,408	765,445	864,158
Cash - end of period	1,829,934	256,940	1,829,934	256,940

Supplemental disclosure of non-cash financing and investing activities:

During the period, equipment amortization of $97,146 (2008: $145,281) was recorded in resources property expenditures and nil amount (2008: $252,838) in gold concentrate sales were offset against resources property expenditures.

During the 2008 period, the Company paid $285,358 cash and issued 19,230 common shares valued at $2,500 for finders' fees in connection with a private placement.

See notes to the consolidated financial statements

EAGLECREST EXPLORATIONS LTD.
Consolidated Schedule of Resource Property Costs

Bolivia	(Audited) September 30, 2007 $	Additions During the Year $	(Audited) September 30, 2008 $	Additions During the Period $	(Un-audited) June 30, 2009 $
San Simon Zone					
Acquisition costs	2,596,665	20,225	2,616,890	19,266	2,636,156
Admin and office	217,570	56,276	273,846	44,021	317,867
Assays	466,746	5,479	472,225	14,831	487,056
Camp costs	1,796,707	51,928	1,848,635	61,837	1,910,472
Consulting fees	2,239,790	108,268	2,348,058	198,552	2,546,610
Drilling	1,501,060	-	1,501,060	-	1,501,060
Mapping	120,058	2,342	122,400	-	122,400
Equipment rental	1,150,002	23,622	1,173,624	32,200	1,205,824
Environmental	1,848	10,109	11,957	4,363	16,320
Field costs	720,195	18,124	738,319	1,663	739,982
Geophysical & surveys	171,867	17,741	189,608	3,918	193,526
Professional fees	217,391	-	217,391	-	217,391
Sampling and analysis	132,529	-	132,529	-	132,529
Wages	704,859	45,910	750,769	162,146	912,915
Travel/transportation	504,439	17,349	521,788	45,724	567,512
Underground development	2,420,241	-	2,420,241	-	2,420,241
Vehicle maintenance	393,251	-	393,251	-	393,251
	15,355,218	377,373	15,732,591	588,521	16,321,112
Dona Amelia Zone					
Acquisition costs	134,952	21,190	156,142	10,625	166,767
Admin and office	924,254	129,370	1,053,624	47,399	1,101,023
Amortization	716,628	193,707	910,335	97,146	1,007,481
Assays	802,525	168,208	970,733	26,563	997,296
Camp costs	1,124,551	211,505	1,336,056	74,067	1,410,123
Consulting fees	2,397,021	336,521	2,733,542	98,819	2,832,361
Drilling	7,721,502	1,378,966	9,100,468	1,336	9,101,804
Environmental	201,605	107,610	309,215	11,232	320,447
Mapping	22,721	43,398	66,119	454	66,573
Equipment rental	1,028,668	154,275	1,182,943	28,541	1,211,484
Field costs	2,084,560	91,802	2,176,362	1,105	2,177,467
Geophysical & surveys	25,471	52,079	77,550	4,603	82,153
Supplies	146,355	12,994	159,349	-	159,349
Travel/transportation	673,747	114,617	788,364	47,201	835,565
Underground development	3,375,290	386,631	3,761,921	-	3,761,921
Wages	2,125,787	500,539	2,626,326	146,112	2,772,438
Recovery - gold concentrates	(471,864)	(545,140)	(1,017,004)	-	(1,017,004)
	23,033,773	3,358,272	26,392,045	595,203	26,987,248

EAGLECREST EXPLORATIONS LTD.

Consolidated Schedule of Resource Property Costs

	(Audited) September 30, 2007 $	Additions During the Year $	(Audited) September 30, 2008 $	Additions During the Period $	(Un-audited) June 30, 2009 $
Marco Maria Zone					
Acquisition costs	290,378	33,582	323,960	34,702	358,662
Admin and office	-	13,033	13,033	6,676	19,709
Camp costs	-	7,476	7,476	5,337	12,813
Consulting	-	11,159	11,159	9,766	20,925
Equipment rental	-	7,131	7,131	2,052	9,183
Professional fees	10,701	-	10,701	-	10,701
Field costs	-	1,723	1,723	1,146	2,869
Travel/transportation	-	1,367	1,367	2,410	3,777
Wages	-	-	-	17,335	17,335
	301,079	75,471	376,550	79,424	455,974
Dona Angela (Campo Nuevo) Zone					
Acquisition costs	183,142	37,355	220,497	52,380	272,877
Admin and office	987	29,056	30,043	13,583	43,626
Assays	9,066	4,664	13,730	6,217	19,947
Camp costs	1,573	50,320	51,893	19,161	71,054
Consulting	799	34,751	35,550	21,435	56,985
Equipment rental	-	40,274	40,274	12,313	52,587
Environmental	-	632	632	-	632
Field costs	9,422	18,130	27,552	1,667	29,219
Mapping	-	2,777	2,777	-	2,777
Professional fees	3,147	-	3,147	-	3,147
Travel/transportation	1,130	11,050	12,180	10,484	22,664
Wages	4,165	24,402	28,567	57,626	86,193
	213,431	253,411	466,842	194,866	661,708
Total	38,903,501	4,064,527	42,968,028	1,458,014	44,426,042

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated under the laws of the Province of British Columbia on January 20, 1981 and its shares are listed for trading on the TSX Venture Exchange.

The Company is in the development stage and is in the process of exploring and developing its resource properties in Itenez Province, Bolivia and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for resource properties and related deferred exploration expenditures are dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development of the resource properties and upon future profitable production or proceeds from the disposition thereof.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At June 30, 2009, the Company had not yet achieved profitable operations, has accumulated losses of $25,366,560 (2008 - $24,266,288) since its inception, has a working capital of $312,713 (2008 – deficit $709,626) and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

These consolidated financial statements include the accounts of Eaglecrest Explorations Ltd. and its wholly owned subsidiary Eaglecrest Exploration Bolivia SA, a company incorporated in Bolivia. All significant inter-company transactions and balances have been eliminated.

Resource Properties

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse.

All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Resource Properties ***(continued)***

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values.

These costs are depleted over the useful lives of the properties upon the commencement of commercial production, or written off if the properties are abandoned or the claims are allowed to lapse.

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

Management's estimates of mineral prices, recoverable proven and probable reserves and operating capital and reclamation costs are subject to certain risks and uncertainties which may affect the recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its properties.

The acquisition of title to mineral properties is a detailed and time-consuming process. The Company has taken steps, in accordance with industry standards, to verify mineral properties in which it has an interest. Although the Company has taken every precaution to ensure that legal title to its properties is properly recorded in the name of the company, there can be no assurance that such title will ultimately be secured.

Administrative costs, along with costs related to the determination of the feasibility of a project, are expensed as incurred.

Property, plant and equipment

Property, plant and equipment is recorded at cost and amortized over their estimated useful economic lives using the declining balance method at annual rates of 30% for office equipment, automotive and field equipment. The Company has also constructed a rock crusher plant and recovery mill that are recorded at cost and amortized on a straight-line basis over five years.

Property, plant and equipment acquired in a fiscal year are amortized at one-half of the annual rate.

Foreign Currency Translation

The Company's foreign operations are considered integrated with those of the Company's domestic operations.

The Company translates its accounts denominated in foreign currencies as follows: monetary assets and liabilities at the rate of exchange in effect at the balance sheet date and non-monetary assets and liabilities at their applicable historical rates. Revenues and expenses are translated at rates prevailing at the date of the transaction except for amortization which is translated at historical rates.

Exchange gains and losses from the translation of foreign currencies are recognized in the period in which they occur.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Instruments

The Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861, Financial instruments – Disclosure and Presentation and Section 3865, Hedges. These sections apply to fiscal years beginning on or after October 1, 2006 and provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives, and describe when and how hedge accounting may be applied. Section 1530 provides standards for the reporting and presentation of comprehensive income, which is defined as the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles. A statement of comprehensive income has not been presented as no components of comprehensive income have been identified and therefore have not affected the current or comparative period balances on the financial statements. Under these new standards, all financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of changes in the fair value of financial instruments depends on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, investments held to maturity and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, derecognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Transaction costs related to debt financings will be expensed in the period incurred.

The Company's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities. The fair values of the instruments approximate their carrying values due to their short-term nature. Financial risk is the risk arising from fluctuations in foreign currency exchange rates. The Company does not use any derivative or hedging instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

Share Issue Costs

Costs incurred for the issue of common shares are deducted from share capital or the balance of share subscriptions prior to the issuance of the shares. Shares issued for consideration other than cash are valued at the quoted market price on the date the agreement to issue the shares was reached.

Stock-Based Compensation

The Company records a compensation cost attributable to all share options granted at fair value at the grant date using the Black-Scholes valuation model and the cost is expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Stock-Based Compensation *(continued)*

The Black-Scholes option valuation model requires the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

Loss Per Share

Loss per share is calculated using the weighted average number of common shares outstanding during the year. Diluted loss per share amounts have not been presented as the effect of outstanding options and warrants are anti-dilutive.

Future Income Taxes

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized. Such an allowance applies fully to all potential income tax assets of the Company.

Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized on an undiscounted cash flow basis when a reasonable estimate of the fair value of the obligation can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expense using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and from revisions to either expected payment dates or the amounts comprising the original estimate of the obligation. As at June 30, 2009, the Company recorded $80,000 (2008: $nil) as estimated asset retirement obligations.

Impairment of Long-Lived Assets

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Environmental Expenditures

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly from country to country and are not predictable. The Company's policy is to meet or, if possible, surpass environmental standards set by relevant legislation by the application of technically proven and economically feasible measures.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against operations as incurred or capitalized and amortized depending on their expected future economic benefit. Estimated future removal and site restoration costs are recognized when the ultimate liability is reasonably determinable and are charged against operations over the estimated remaining life of the related business operations, net of expected recoveries.

3. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2009			Sept. 30/08
	Cost $	Accumulated Amortization $	Net Book Value $	Net Book Value $
Office Equipment	105,714	79,220	26,494	33,411
Field Equipment	40,964	39,273	1,691	2,183
Automotive	86,265	73,524	12,741	16,440
Recovery Mill	872,863	872,863	-	90,999
	1,105,806	1,064,880	40,926	143,033

4. RESOURCE PROPERTIES

The Company's resource properties are located in Bolivia, South America and its interest in these resource properties is maintained pursuant to agreements with the titleholders. The Company is satisfied that evidence of title to each of its resource properties is adequate and acceptable by prevailing Bolivian standards with respect to the current stage of exploration on these properties, however, recoverability of amounts shown for resource properties are subject to confirmation of the Company's interest in the underlying resource properties.

4. RESOURCE PROPERTIES *(continued)*

San Simon and Dona Amelia Zones

Pursuant to a formal joint venture agreement (the San Simon Agreement) executed in fiscal 1999 and subsequently amended, the Company owns the right to acquire 100% of all production from eleven mineral concessions. Total consideration paid to acquire this right was US$600,000.

These eleven mineral concessions are subject to a 3% net smelter returns royalty, of which the Company can purchase 1% for U.S.$500,000 and a second 1% for U.S.$750,000.

On April 15, 2003 San Simon Resources Ltd. ("SSR") and the Company entered into an agreement by which the Company acquired from SSR an 80% interest in production from seven non-core mineral concessions and the right to acquire one additional mineral concession (known as the California concession) by incurring US$500,000 in mineral exploration expenditures over two years (incurred) and reimbursing SSR certain costs aggregating US$10,000 (paid).

The Company also entered into a separate agreement on June 9, 2003 with the underlying owner of the California concession whereby it paid US$48,000 and issued 200,000 common shares to obtain a 100% interest in this concession.

These concessions are subject to a 3% net smelter returns royalty, of which the Company can purchase 1% for US$500,000 and a second 1% for US$1,000,000.

By an agreement dated November 16, 2007, the Company had a 50 year option to acquire an additional mineral concession in the San Simon zone in Bolivia, South America for US$25,000 (paid) and US$25,000 within six months of delivery of samples by the optionor. The option was terminated by the Company during the year ended September 30, 2008. As a result, US $25,000 was not paid and initial US $25,000 paid was recorded as a part of general exploration costs and expensed.

Marco Maria Zone

Pursuant to an agreement (the Marco Maria Agreement) signed during fiscal 1999, the Company acquired the right to 100% of all production from seven (subsequently increased to eight) mineral concessions located contiguous to the existing San Simon mineral concessions. Total consideration paid to acquire this right was US$50,000 plus the issuances of 650,000 common shares.

These concessions are subject to a 3% net smelter royalty of which the Company can purchase 1% for U.S.$500,000 and a second 1% for U.S.$1,000,000.

Dona Angela (Campo Nuevo) Zone

Pursuant to an agreement signed March 2, 2001, the Company has acquired the right to 100% of all production from 13 concessions covering 19,215 hectares located to the north, east and west of the Company's existing holdings at the San Simon property. The Company had originally agreed to pay U.S.$95,000 (U.S.$20,000 paid) to the optionor prior to July 31, 2003.

4. RESOURCE PROPERTIES

Dona Angela (Campo Nuevo) Zone *(continued)*

Pursuant to an amending agreement signed in August, 2003, the Company has agreed to pay the optionor the remaining U.S.$75,000 (U.S.$37,500 paid) and incur annual exploration expenditures until production of U.S.$100,000. The optionor agreed to accept 375,000 common shares (issued by the Company) at a price of U.S.$0.10 for the remaining U.S.$37,500. The agreement also calls for annual payments until production of US$20,000, commencing in fiscal 2005, to the optionor. In 2007, the payment was renegotiated down to US$10,000 per annum. Payments totaling $60,000 have been paid to date and the next payment of US$10,000 is due October, 2009.

These concessions are subject to a 3% net smelter royalty of which the Company can purchase 1% for U.S.$1,000,000 and a second 1% for U.S.$2,000,000.

5. CONVERTIBLE DEBENTURE

In August 2007 the Company completed a non-secured convertible debenture financing in the amount of $632,580 (US$600,000). The term of the debenture is two years maturing August 8, 2009 and bears interest at 8% per annum and 12% per annum thereafter. The lender has the option to convert any or all of the principal balance into conversion units at a deemed price of US$0.165 per unit. A conversion unit consists of one common share of the Company and one warrant. Each warrant has a term expiring on August 8, 2009 and is exercisable to purchase one common share of the Company at US$0.165 per share.

The Company used the fair value method and recorded $436,662 (US$414,172) to the liability component and $195,918 (US$185,828) to the equity component as determined by the Black-Scholes Option Valuation Model with the following assumptions:

	Conversion Option
Expected dividend yield	0%
Expected volatility	76.02%
Risk-free interest rate	4.67%
Expected term in years	2

Over the term of the loan, the liability is accreted to its face value. During the period ended June 30, 2009, total interest recorded amounted to $114,671 (US$107,370) (2008: $95,999 (US$96,051)); at June 30, 2009 $41,850 (US$36,000) (2008: $36,670 (US$36,000)) was included in accounts payable, $70,903 (US$71,370) (2008: $59,584 (US$60,051)) was accreted. At June 30, 2009, the accreted value of the convertible debenture payable is $669,844 (US$576,210) (2008: $493,841 (US$484,823)).

6. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the transacting parties. The unpaid year end balances referred to below are non interest bearing, payable on demand and have arisen from the provision of services described.

6. RELATED PARTY TRANSACTIONS *(continued)*

During the period ended June 30, 2009:

- A director of the Company was paid or accrued $128,226 (2008: $108,344) for corporate development fees and one officer of the Company was paid or accrued $90,000 (2008: $82,500) for accounting and administration services. At June 30, 2009, the related parties were owed $148,147 (2008: $5,803) for the unpaid portions of these amounts and for reimbursement of expenditures made on behalf of the Company, which is included in accounts payable.
- A private company owned or controlled by a director of the Company was paid or accrued $163,436 (2008: $134,873) in management fees. At June 30, 2009, the related party was owed $134,203 (2008: $15,534) for the unpaid portion of this amount.
- A law firm of which an officer of the Company is a partner charged the Company or accrued by the Company $13,932 (2008: $42,974) for legal services. At June 30, 2009, this related party was owed $54,012 (2008: $53,560) for the unpaid portion of this amount, which is included in accounts payable.
- An officer of the Company and a company controlled by a director of the Company were paid or accrued $42,081 (2008: $122,679) for geological consulting services. At June 30, 2009, these related parties were owed $31,053 (2008: $13,342) for the unpaid portion of this amount, which is included in accounts payable.

As at June 30, 2009, accounts payable are inclusive of $367,415 (2008: $89,112) due to related parties.

7. SHARE CAPITAL

a) Authorized and issued share capital

The Company's authorized share capital consists of an unlimited number of common shares without par value:

b) Issued share capital

	June 30, 2009		September 30, 2008		
	Number of Shares	$	Number of Shares	$	
Issued - Beginning of period	374,993,034	63,779,147	304,382,821	55,887,682	
Private placements	-	-	69,840,983	8,094,588	
Shares issued for finder's fees	-	-	19,230	2,500	
Exercise of options	-	-	500,000	75,000	
Exercise of option compensation	-	-	-	46,350	
Exercise of warrants	-	-	250,000	38,000	
Issue costs	-	-	-	(364,973)	(1)
Issued - End of period	374,993,034	63,779,147	374,993,034	63,779,147	

(1) $362,473 in cash was paid or accrued and 19,230 common shares valued at $2,500 were issued as finders' fees.

7. SHARE CAPITAL

b) Issued share capital *(continued)*

During the year ended September 30, 2008, the Company issued 69,840,983 common shares pursuant to the following private placements:

i) Issued 36,783,283 common shares pursuant to a non-brokered private placement of units at $0.13 (US$0.13) per unit for total proceeds of $4,699,351 (US$4,781,827). Each unit consists of one common share and one share purchase warrant entitling the holder thereof to purchase an additional common share for each warrant held for US$0.15 per share until November 14, 2008 and $0.30 per share until November 14, 2009. Finder's fees relating to this offering were 19,230 common shares valued at $2,500 and cash of $285,358 (US$292,619).

ii) Issued 33,057,700 common shares pursuant to a non-brokered private placement of units at $0.10 (US$0.10) per unit for total proceeds of $3,395,237 (US$3,305,770). Each unit consists of one common share and one-half share purchase warrant entitling the holder thereof to purchase an additional common share for each one warrant held for US$0.20 per share until September 17, 2009. A finder's fee relating to this offering was cash of $77,115. As at September 30, 2008, $558,885 (US$527,250) of the total proceeds was recorded as share subscriptions receivable.

c) Escrow Shares

In accordance with an Escrow Agreement dated September 30, 1999, 187,500 common shares of the Company were subject to escrow and may not be transferred, assigned or otherwise dealt with without the consent of the Exchange. These shares may not be released from escrow unless the escrow agent receives a letter consenting to release from the Exchange. Any shares not released will expire in ten years from the date of the agreement. As at June 30, 2009, the Company had a balance of 187,500 in escrow shares.

d) Directors' and employees' stock options outstanding

i) The Company has a share option plan approved by the shareholders that allows it to grant options, subject to regulatory terms and approval, to its directors, employees, officers, and consultants. All options issued to date have vested immediately, effective the grant date.

ii) The continuity of stock options outstanding is as follows:

	June 30, 2009	Weighted Average Exercise Price $	September 30, 2008	Weighted Average Exercise Price $
Balance outstanding - beginning of period	15,950,000	0.18	17,600,000	0.19
Activity during period:				
Options granted	-	-	5,750,000	0.14
Options cancelled/expired	(4,800,000)	0.15	(6,900,000)	0.17
Options exercised	-	-	(500,000)	0.15
Balance outstanding - end of period	11,150,000	0.20	15,950,000	0.18

7. SHARE CAPITAL

d) Directors' and employees' stock options outstanding *(continued)*

iii) Details of stock options outstanding at June 30, 2009:

Number of Shares	Option Price	Expiry Date
1,500,000	$ 0.15	December 24, 2009
400,000	$ 0.16	January 31, 2010
100,000	$ 0.16	April 22, 2010
1,500,000	$ 0.12	May 29, 2010
300,000	$ 0.455	September 13, 2011
3,700,000	$ 0.27	January 4, 2012
300,000	$ 0.27	January 9, 2012
1,350,000	$ 0.18	January 8, 2013
2,000,000	$ 0.12	May 29, 2013
11,150,000		

As at June 30, 2009, the contractual weighted average remaining life is 2.30 years (2008 -2.23 years).

e) Share purchase warrants outstanding

i) The continuity of share purchase warrants outstanding is as follows:

	June 30, 2009	Weighted Average Exercise Price US$	September 30, 2008	Weighted Average Exercise Price US$
Balance outstanding - beginning of period	55,099,633	0.27	16,848,375	0.18
Activity during period:				
Warrants issued	-	-	53,312,133	0.39
Warrants exercised	-	-	(250,000)	0.15
Warrants expired	-	-	(14,810,875)	0.16
Balance outstanding - end of period	55,099,633	0.27	55,099,633	0.27

7. SHARE CAPITAL

e) Share purchase warrants outstanding *(continued)*

ii) Details of share purchase warrants outstanding at June 30, 2009:

Number of Shares	Exercise Price US$	Expiry Date
1,987,500	0.40	August 7, 2009
16,528,850	0.20	September 17, 2009
36,583,283	0.30	November 14, 2009
55,099,633	0.27	

As at June 30, 2009, the weighted average remaining contractual life is 0.26 year (2008: 1.36 years).

f) Share subscriptions

- During the year ended September 30, 2001, the Company proposed to enter into a private placement for the issuance of 2,000,000 units at $0.50 per unit for proceeds of $1,000,000, less a 7.5% finder's fee. Each unit is to consist of a common share and a two-year share purchase warrant to purchase an additional common share at $0.50 per share in the first year and at $0.60 per share in the second year. The Company has received subscriptions for 1,983,171 units (proceeds of $925,000, net of related issue costs).

- During the year ended September 30, 2001, the Company entered into an agreement with a purchaser for a private placement of 770,000 units at $0.30 per unit to raise $231,000. Each unit was to be comprised of one common share and one share purchase warrant to purchase one common share at $0.30 per share in the first year and at $0.40 per share in the second year. The Company subsequently amended the terms of that private placement to 1,500,000 units at $0.154 (US$0.10) per unit, with each unit comprised of one common share and one share purchase warrant exercisable for two years to purchase one additional share for $0.154 (US$0.10). The Company has received subscriptions for 1,500,000 units for proceeds of $231,000.

- During the period ended June 30, 2009, the Company proposed a non-brokered private placement consisting of two tranches totaling 44,819,000 units at US$0.05 per unit for gross proceeds of US$2,240,950. Each unit will be comprised of one common share and one warrant, with each warrant exercisable to purchase one additional common share in the capital of the company for US$0.10 for 12 months from acceptance of the private placement by the TSX Venture Exchange ("Exchange"). Finders' fees of 2,000,000 shares will be issued and cash of US$9,000 will be paid in connection with the private placement. As at June 30, 2009, the Company has received proceeds of $2,306,252 (US$2,003,950) in shares subscribed.

7. SHARE CAPITAL *(continued)*

g) Stock-based compensation

No stock-based compensation was recorded during the nine months period ended June 30, 2009 (2008 - $186,545). In 2008, the fair value of stock options granted was estimated using the Black-Scholes option valuation model with the following assumptions; risk-free interest rate 3.00% - 3.50%; expected dividend yield – Nil; expected stock price volatility 52.45% - 82.00%; and expected option life of 2.5 years.

The Company recorded stock-based compensation during the year ended September 30, 2008 of $350,845 (2007: $680,000). The fair value of stock options granted was estimated using the Black-Scholes option valuation model with the following assumptions; risk-free interest rate 2.50% - 3.50% (2007: 3.00%); expected dividend yield – Nil (2007: Nil); expected stock price volatility 31.56% - 85.78% (2007: 88.6%); and expected option life of 2.5 – 5.0 years (2007: 2.5 years).

h) Subscription Receivable

Subscription receivable is with respect to a private placement $263,597 (US$226,750) (2008 - nil).

i) Contributed Surplus

Continuity of contributed surplus is as follows:

	$
Balance - September 30, 2007	2,715,544
Options exercised	(46,350)
Stock-based compensation	419,245
Balance - September 30, 2008	3,088,439
	-
Balance – June 30, 2009	3,088,439

8. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment, the exploration and development of mineral properties. Geographic information is as follows:

Assets	2009	2008
Canada	$	$
Assets other than mineral property interests	1,897,080	617,935
Mineral property interests	-	-
Bolivia		
Assets other than mineral property interests	48,517	262,297
Mineral property interests	44,426,042	42,545,415
Total Assets	46,371,639	43,425,647