EAGLECREST EXPLORATIONS LTD.
Management Discussion and Analysis (Form 51-102F1)
For The Nine Months Ended June 30, 2009

The management discussions and analysis, prepared as of August 21, 2009, review and summarize the activities of Eaglecrest Explorations Ltd. ("Eaglecrest" or the "Company") and compare the financial results for the period ended June 30, 2009 with those of June 30, 2008. The following information should be read together with the un-audited consolidated financial statements for the nine months ended June 30, 2009 and related notes attached thereto, which were prepared by management in accordance with Canadian Generally Accepted Principles. The reader should also refer to the annual audited financial statements of the Company for the years ended September 30, 2008 and 2007 and the related notes attached thereto. All amounts are stated in Canadian dollars unless otherwise indicated.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on such forward-looking statements.

Disclosure Controls and Procedures

Management has assessed the effectiveness of the Company's disclosure controls and procedures used for the financial statements and MD&A as at June 30, 2009. Although certain weaknesses such as lack of segregation of duties are inherent with small office operations, management has implemented certain controls such as frequent reviews and regular preparations of reconciliations of transactions to ensure absence of material irregularities. Management has concluded that the disclosure controls are effective in ensuring that all material information required to be filed has been made known to them in a timely manner. The required information was effectively recorded, processed, summarized and reported within the time period necessary to prepare the annual filings. The disclosure controls and procedures are designed to ensure effective information required to be disclosed pursuant to applicable securities laws are accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Overview

Eaglecrest is involved in the acquisition, exploration, and development of resource properties. The Company has exploration and production rights to 40 contiguous mineral concessions and properties on the San Simon plateau located in the Department of Beni in northeast Bolivia. Collectively, the concessions and properties cover 296.75 square kilometers and are referred to as the San Simon property. The Company first worked in the area of the San Simon property in 1995. The properties have four areas of known gold mineralization called Doña Amelia, San Simon, Marco Maria, and Doña Angela.

The Company raised $3.3 million in a private placement in late summer 2008. The funds were destined to cover debts that had been incurred since April 2008, then to begin drilling and produce an NI 43-101 Resource Calculation by October, after which the company would need additional funding.

In late 2008, the Company recognized the massive sell-off in exploration company equities, and the evacuation of cash that was previously available for equity or debt financing. On October 20, the Company issued a press release shareholder letter that highlighted a dramatically reduced exploration program moving forward to conserve cash and still continue basic exploration in the San Simon district. While this event was viewed as a slowdown in normal drilling activities towards a resource calculation, it was a necessary re-focus that should have been made during earlier drill campaigns in the Doña Amelia zone. This slowdown enabled the company to complete district-wide evaluation of the multiple zones with reported gold showings.

To date, a significant portion of our data compilation has been completed by the Company for the entire San Simon district, which includes almost 14 years of history, and multiple company reports and data sets. Our geologic team has identified multiple new target zones—which they have plotted on a district-wide compilation map. One of these additional zones appears to be a one kilometre extension of gold mineralization that has been drilled at the Trinidad Vein in the Doña Amelia zone.

A second, very large area is the Paititi-San Francisco-Buriti zone. Based on drill hole assays and geologic logs that were assembled prior to 2002, the Company began building an in-house geologic resource model for the Paititi zone. Multiple gold-mineralized horizons were identified. Based on the new compilation it is possible that a second, open-pit style gold resource can be drill tested in 2009 at the Paititi zone.

With the geologic team actively sampling the highest priority zones along the Paititi-San Francisco-Buriti zone, a new zone of significant gold mineralization was sampled near Buriti. The area returned gold assays that vary from below detection to 16 grams per tonne from two news releases discussed below – the mineralized area is at least 300 metres wide. Additionally, surface sampling around the Buriti gold occurrences and sampling from outcropping rocks east of Paititi, discussed below, demonstrates the gold mineralization extends for at least seven kilometres along the Paititi-San Francisco-Buriti zone. With these new gold results from surface sampling at Buriti, the Company believes there is strong potential for a third, open-pit style gold resource at the Buriti portion of the zone.

With an experienced technical team driving the Company at the Board level, and the strong technical team already in place on the project, management expects improved results leading to improved confidence with investors and the equity markets in 2009 so that any fund raising endeavours will be successful. Already in 2009, we are seeing billions of dollars being raised by the major and mid-tier gold producers with the specific goal of acquiring gold assets that are near–production. Because we have had time to further discovery and develop new gold zones, management believes that Eaglecrest's San Simon project has potential for at least three new gold resources once adequate funding is achieved to resume drilling. The company's objective remains to develop the San Simon project to a level sufficient to attract a mining company or institutional partner which would continue to fund the advancement of the project.

San Simon Property, Bolivia

Since 2003, the Company's drilling and development activities at San Simon have been focused on the Doña Amelia zone. The original gold discovery on the San Simon plateau was made in 1742 by Jesuit priests, who found gold in a northeast-striking shear zone. The area of that discovery is now called Mina Vieja ("old mine") and it is adjacent to the Trinidad sector, beneath which is the Company's underground development. Drilling in the L463 shoot is the down-dip extension of the exposed Trinidad and Mina Vieja zones. Since the mid-1980's, artisanal or informal miners have extracted thousands of ounces of gold from shallow workings of the L463 shoot along the fault, mostly in the Trinidad and Mina Vieja sectors within the Doña Amelia. As many as 1,000 informal miners were working in these areas in the mid-1990s. Diamond drilling and surface mapping have traced the main thrust fault for about four kilometres of east-west strike length and more than 700 metres down-dip. Recent rock chip and soil sampling have added another kilometre of strike length east of the Mina Vieja zone.

In early 2007, the Company's new management team evaluated all prior drill results and found that the gold mineralization is focused in vertically-elongate shoots in and along the main thrust fault. As a result of our work since early 2007 to present, we have been able to confirm our understanding of how gold is distributed on the San Simon plateau. Since we began using our 3-D computer model of the Doña Amelia zone to guide our exploration, over one-third of drill holes that were drilled between April 2007 and April 2008 have returned intercepts of greater than 10 grams/tonne gold. *This is the best performance in Eaglecrest's history, and the project is better now than it has been at any other time in its 14-year history*.

During early calendar 2008, using these successful drill results, the Company completed its first in-house geologic model and gold resource estimate using Gemcom resource modeling software for the L463 Gold Shoot in the Doña Amelia zone. While the information cannot be made public until an eventual independent NI43-101-compliant gold resource estimation, the model of gold mineralization and gold grades in three-dimensions greatly assists the exploration team in drilling the adjacent gold shoots, referred to L484 and San Pedro West. The Gemcom model can be transferred to a third-party engineering group once the Company takes a decision to commission an NI 43-101-compliant gold resource model and estimate.

Additionally, the 3D Gemcom model as well as underground bulk sampling demonstrates that the L463 gold shoot is about 50 metres wide. All the prior drill holes in the Doña Amelia that were drilled from 2003 to 2006 are spaced exactly 100 metres apart on a regular grid along about 3.5 kilometres east-west strike. Given that we now know the first gold shoot is about 50-metres wide, there exists tremendous upside potential in the Doña Amelia zone to find more gold shoots between the 100-metre spaced holes once a new 25-metre offset drill program begins.

On October 20, 2008 the Company issued a press release shareholder letter that highlighted a dramatically reduced exploration program moving forward to conserve cash and still continue basic exploration in the San Simon district. To continue adding value to San Simon in 2008 while conserving valuable funds, our technical team focused on surface sampling with district-wide mapping and data compilation. This is an inexpensive way to demonstrate the potential of the entire property.

The Paititi-Buriti zone was given highest priority for follow-up because of its proximity to the Company's existing infrastructure, and it has the strongest, most contiguous gold-arsenic geochemistry in the 2007 soil data set (refer to news release dated July 9, 2007). Paititi-Buriti soil sample assay results ranged from below detection to 1.57 grams/tonne gold.

Already in the historic data, contained in both reports and digital format, there was prior drilling and surface rock sampling with assays completed. Fifty-two holes were drilled from 1996 to 2000. Francisco Ramos cleaned up the data from these studies and has built an in-house 3D Gemcom resource model using the valid drill holes in the Paititi area. In 2001, Kilborn Engineering created the first geologic model for the Paititi zone, which clearly showed potential for a near-surface gold resource. At the same time, 197 tonnes of bulk samples were collected from the surface and the average gold grade was 1.64 grams per tonne gold. Because gold comes right to the surface in this area, the preliminary geologic model demonstrates Paititi's potential for an open-pit gold mine, similar to the Sao Francisco mine in Brazil (average gold grade of 0.9 grams per tonne), which is located about 150 kilometres to the southeast of San Simon.

As part of the on-going district exploration program along the Paititi-San Francisco-Buriti zone, the company announced on January 14, 2009 new assay results had highlighted the Buriti gold target. In the Buriti portion of the zone, a total of 68 surface rock chip samples were collected in November-December 2008 and returned gold values that varied from below detection (0.3 grams per tonne gold) to 16.2 grams per tonne gold. Five of the samples were greater than 1.2 grams per tonne gold. This work has energized the exploration team and raised the priority of the entire Paititi-San Francisco-Buriti zone.

Subsequently, on June 8, 2009, the Company announced the expansion of surface high-grade gold zones at the Buriti gold target (see www.eaglecrestexplorations.com\Paititi-Buriti_June2009.pdf). Rock chip assay results from samples in this zone varied from below detection to 10.85 grams per tonne gold. Fifteen samples had results greater than 0.5 grams per tonne gold with eight samples returning greater than 1 gram per tonne gold. From the high-grade zone that was sampled and announced in our prior news release (see January 14, 2009 news release), new surface mapping and sampling has extended the Buriti zone 300-metres to the north, making the zone at least 300-metres wide. Similarly, the Paititi zone, on the east end of the same trend, is at least 200-metres wide where artisanal miners over the past 20 years have exposed gold-bearing mineralization in a small open pit.

A total of 268 surface rock chip samples were collected in early 2009 along the Paititi-San Francisco-Buriti zone. Of these, 160 were collected along the mineralization trend that extends from the Paititi pit westward to an area of outcropping mineralization called Buriti. Based on these new results, as well as samples collected east of Paititi, the zone now has about seven kilometres of strike length east-west.

With these new results from the Company's surface sampling, mapping and data compilation program, two high-priority drill targets have been identified; one at Paititi and the second at Buriti. Surface trenching using bulldozers or excavators, as well as rock chip-channel sampling are necessary along the gold-mineralized areas to further understand the gold distribution and to further develop the drill targets so the holes are more accurately located in the future drill program.

On-site Assay Laboratory

The on-site Fire Assay laboratory has been operated independently by Analab S.A. of Peru since 2005. The laboratory performed standard Fire Assays on diamond drill core and other exploration samples – turn around time for the assay results has been typically less than two days after receipt of samples for analysis. The laboratory also analyzed samples for the bulk sampling program, including underground geology samples, bulk sample process plant materials, and concentrates. The laboratory also completed screened Metallic Fire Assays on selected higher grade samples of specific interest.

In late calendar 2008, as part of the cash-conservation program, the Company made the decision to change the on-site laboratory from a complete analytical facility into a sample preparation laboratory, thus shutting down the fire-assay portion of the operation. All samples collected during the current exploration program will be prepared on-site following industry best practices and shipped to ALS Chemex Laboratories in Oruru, Bolivia for analysis. The company anticipates that when drilling resumes, the fire-assay laboratory will be re-commissioned so that on-site gold assay results can be achieved in less than two days. At such time, the lab will again be operated independently by Analab S.A. of Peru.

Subsequent Operating Events

The Company's highest priority of securing funding was achieved – US$2.24 million was secured in an equity placement that was approved by the TSX-Venture exchange on August 10, 2009. The financing included 51 placees that are both existing and friends of existing shareholders. The Company is now focused on securing funding from institutional sources while working on a marketing strategy that also incorporates information disseminated to institutions. The information provided to institutions during pursuit of funds should stimulate interest in the Company, thus supporting our market as we develop the San Simon project.

With the funding in place, exploration work continues along the Paititi-San Francisco-Buriti gold trend. In early calendar 2009, the Company completed an in-house geologic resource model for the Paititi zone based on holes drilled prior to 2002. While the volume and grade cannot be released until further infill drilling is completed and an NI43-101 resource estimate is completed by a third party, the in-house geologic model clearly shows gold mineralization hosted in sub-horizontal to north-dipping zones that begin at surface.

Additionally, along the seven-kilometre Paititi-San Francisco-Buriti gold trend, new mapping and sampling has revealed that gold-mineralized rocks at surface can have significant length and width, even greater than the 300-metres wide discussed above. Several new outcrops and sub-cropping rocks that have been exposed by hand-dug pits and trenches have visible gold in hand sample and in panned, crushed samples of the rock leading Eaglecrest to conclude the area has had extensive gold mineralization that was previously overlooked. Because the Paititi-San Francisco-Buriti gold trend remains open to the west, a priority for the geologic team is to continue sampling and mapping to understand the full potential of the zone.

The Company concludes that based on the in-house geologic model for Paititi along with new surface sampling, at least two new, open-pit style gold resources may exist along the Paititi-San Francisco-Buriti zone. Prior to 2002, surface bulk sampling suggests that average grades of about 1.7 grams per tonne gold is possible, while several 10+ gram/tonne drill hole grades at depth were encountered. In the Company's new 3D Gemcom model of Paititi, the 10+ gram per tonne intervals form coherent high-grade layers that are within 100 metres of the surface. Because the mineralization begins at surface, new exploratory holes can be drilled to shallow depths (e.g. less than 200 metres) to sample both the high-grade, 10+ gram per tonne gold mineralization as well as the lower grade gold mineralization that is known based on the surface sampling prior to 2002.

Thus, when compared to drill-testing the gold shoots at Doña Amelia, where 25-metre drill hole offsets are required and where underground mining will require high gold grades, the Paititi-San Francisco-Buriti zone will be less expensive to drill – growth of future gold resources can be more rapid and less expensive. Based on this analysis, the emerging Paititi-San Francisco-Buriti gold zone has been moved to a higher priority once future drilling funds have been achieved.

Future Outlook

The forward-looking annual budget for district exploration and completion of the detailed drilling in the gold shoots of the Trinidad area is estimated to be US$3.5 million for calendar 2009, which is about half of prior years, and should be more successful than prior years. This budget projection assumes that enough funding can be achieved by fall 2009 so as to begin drilling in late calendar 2009 or early 2010 timeframe. Management is confident that it can leverage its geologic knowledge of gold distribution at San Simon, successful drilling results, and its large land position by completing the following objectives:

During fiscal 2009:

- Raise enough funding to complete the Company's objectives.
- Complete mapping and sampling in strategic areas including eastern Trinidad, Paititi-San Francisco to Buriti, and Doña Angela.
- Once funding is secured, begin drilling in the Trinidad Vein, specifically the two adjacent gold shoots to the L463 Gold Shoot.
- Drill the new exploration targets at Paititi-San Francisco-Buriti, and eastern Trinidad.
- If the drilling is successful, complete an NI43-101 resource calculation for three of the Trinidad gold shoots late 2009.
- Continue to build both the Board of Directors and an active Advisory Board with members who have financial, M&A and junior exploration resource development experience.

Selected Annual Information

	Year Ended September 30 2008 $	Year Ended September 30 2007 $	Year Ended September 30 2006 $
Interest income	16,700	19,507	41,719
Net loss	(2,283,563)	(2,527,412)	(1,592,579)
Basic loss per share	(0.01)	(0.01)	(0.01)
Total assets	44,133,195	40,519,660	35,567,409
Current liabilities	1,326,511	2,108,561	825,262
Working capital (deficiency)	(304,377)	(1,068,205)	1,635,581
Cash dividends	Nil	Nil	Nil

The Company has been and is still in the stages of exploring and developing its mineral properties. To date, the Company has not been in a position to earn any revenues from its projects.

Accounting policy is to record the Company's mineral properties at cost. Exploration and development expenditures are deferred until the properties are brought into production, and at which time, they will be amortized on a unit of production basis. In the event the properties are sold or abandoned, the deferred cost will be written off. Considerable sums have been spent on the development of the Company's properties in the past several years, thus resulting in the sizable increases in the Company's total asset base. Working capital was significantly higher in 2006 as in excess $2.9 (US $2.6) million in warrants were exercised during the fourth quarter of that year.

Consolidated net loss for the Company in fiscal 2008 and fiscal 2007 was considerably higher than in 2006 as advertising, corporate development, legal, stock-based compensation, travel and other financing related costs increased substantially during the year.

The Company has not paid any dividends on its common shares and does not intend to pay dividends until such time as the Company is able to earn substantial revenue. All available funds and resources are intended for use in exploring and developing the Company's properties and to finance the operations of the Company.

Year-to-Date Consolidated Results

For the nine months ended June 30, 2009 the Company incurred a consolidated net loss of $628,543 as compared to a net loss of $1,811,834 for the same period of the previous year - a decrease of 65% or $1,183,291.

Due to extremely tight cash constraints faced by the Company in fiscal 2009, management was forced to curtail certain activities such as advertising, corporate development, consulting and travel and promotion:

- Travel and promotion dropped to $71,890 in 2009 from $220,351 in 2008.

- There was nil spending on advertising and consulting in 2009, whereas, $10,200 was incurred last year.

- The biggest cut-back occurred in the area of corporate development: $133,980 for 2009, a decrease of $286,038 from the $420,018 spent in 2008.

Accounting and audit fees in 2009 were $34,843 (2008 - $74,976). A change of auditors took place in 2007, and the related increased in costs associated with the change spilled over into 2008

As a result of less financing activities occurring in 2009, filing fees and transfer agent fees incurred were $18,724 (2008 - $77,832).
Due to the holding of assets and liabilities denominated in US dollars, and the fluctuations of the Canadian dollar against the US dollar, the company realized a gain on foreign exchange of $123,807 (2008 - $25,208).

Shareholder information costs - $6,809 (2008 - $35,738). The Company has still not re-activated its drilling program in 2009. Due to the lack of results for news dissemination and reporting, such costs were lower in 2009.

Although not a cash item, nil stock-based compensation was recorded in 2009 as no options were granted during the period. In 2008, $350,845 was recorded based on options granted.

3rd Quarter Review:

For the third quarter ended June 30, 2009, the Company recorded a consolidated net loss of $134,361 as compared to a net loss of $641,023 for the same quarter ended of 2008. Significant accounts and deviations between the quarters are as follows:

Administration – $30,000 (2008 – $30,000) - administration fees are paid or accrued to an officer of the Company.

Corporate development – $47,604 (2008 - $100,676) – fees in 2009 were substantially lower as payments were mostly to a Director of the Company in charge of corporate development. Due to the tight cash position of the Company, all external corporate development service agreements have been terminated.
Foreign exchange gain - $103,403 (2008 – $7,100) – all financing raised are in US funds and most of the cash are kept in US deposits as the majority of the Company's exploration activities are transacted in US dollars. Because the financial statements are reported in Canadian dollars, the Company will experience gains or losses due to the fluctuations of the Canadian to the US dollar.

Insurance - $12,225 (2008 - $12,637) – quarterly amortization of general liability, property and officer and directors' insurance.

Interest - $37,585 (2008 – $32,085) – interest relates to a convertible debenture as follows:

	2009		2008	
- 8% rate per annum	$13,950	(US$12,000)	$12,223	(US$12,000)
- accretion of convertible debenture	23,635	(US$23,790)	19,862	(US$20,017)
	$37,585		$ 32,085	

Legal - $3,314 (2008 - $19,148) – legal fees paid to a law firm of which the Secretary of the Company is a partner. Fees pertain mainly to preparing and filing of financing and option documents and other general corporate matters. Fees were lower in 2009 due to less financing activities during the period.

Management fees – $52,312 (2008 - $45,738) – paid to a private company owned by the president of the Company for management services. Fees are US$15,000 per month and as these figures are reported in Canadian dollars, amounts will fluctuate in accordance to changes in exchange rates.

Shareholders information - $2,205 (2008 - $4,533) – due to lack of drilling and results to report, news disseminations costs were lower in 2009.

Stock-based compensation – nil (2008 - $164,300) – no options were granted during current period, whereas certain options were granted in 2008.

Transfer agent and filing fees - $4,730 (2008 - $10,822) – low financing activities by the Company were the cause in the decrease in transfer agent and filing fees in 2009.

Travel & promotion – $25,503 (2008 – $47,281) – in addition to shows and conventions and trips by Company personnel throughout the US and Europe meeting with potential investors in their efforts to procure financing, Company personnel also travel on occasions to and from Bolivia – the site of the Company's mineral properties. All travels and show costs were curtained in 2009 due to the tight financial position of the Company.

Resource Property Values

Deferred mineral property costs increased by $269,009 during the quarter ended June 30, 2009 (2008 - $492,309). These costs were lower in 2009 as the underground bulk sampling work and gold processing plant operations have been terminated. In addition, drilling activities were suspended in April 2008 to allow management time to relog old drillholes, and to begin an in-house resource model for the L463 gold shoot.

For a detailed breakdown, see the mineral property schedule in the Company's financial statements.

Summary of Selected Quarterly Information

Quarter Ended	June 30 2009	March 31 2009	December 31 2008	September 30 2008	June 30 2008	March 31 2008	December 31 2007	September 30 2007
	$	$	$	$	$	$	$	$
Current assets	1,904,671	221,189	271,615	1,022,134	428,167	428.444	1,202,115	1,040,356
Resource assets	44,426,042	44,157,033	43,647,033	42,968,028	42,545,415	42,053,106	40,411,425	38,903,501
Current liabilities	1,591,958	1,392,234	1,159,766	1,326,511	1,136,793	1,258,215	450,641	2,108,561
Shareholders' Equity								
Capital stock	63,779,147	63,779,147	63,779,147	63,779,147	60,461,025	60,461,025	60,423,025	55,887,682
Share subscriptions	3,462,252	1,600,980	1,156,000	1,156,000	2,580,237	1,609,596	1,156,000	2,003,570
Contributed surplus	3,088,439	3,088,439	3,088,439	3,088,439	3,020,039	2,855,739	2,669,194	2,715,544
Deficit	(25,366,560)	(25,232,199)	(24,972,583)	(24,738,017)	(24,266,288)	(23,625,265)	(22,950,154)	(22,454,454)
Net loss	(134,361)	(259,616)	(234,566)	(471,729)	(641,023)	(675,111)	(495,700)	(678,069)
Working capital (deficit)	312,713	(1,171,045)	(888,151)	(304,377)	(708,626)	(829,771)	751,474	(1,068,205)
Basic loss per share	($0.00)	($0.00)	($0.00)	($0.01)	($0.00)	($0.00)	($0.00)	($0.01)

Significant Item(s) Within the Quarter:

For the three months ended June 30, 2009:
- $263,597 (US$226,750) in share subscription receivables outstanding
- deferred resources property costs increased by $269,009
- received $1,861,272 (US$1,817,500) in share subscriptions paid
- working capital of $312,713

For the three months ended March 31, 2009:
- $285,750 (US$226,750) in share subscription receivables outstanding
- deferred resources property costs increased by $510,000
- working deficit of $1,171,045

For the three months ended December 31, 2008:
- $278,290 in share subscription receivables outstanding
- deferred resources property costs increased by $679,005
- working deficit of $888,151

For the three months ended September 30, 2008:
- $555,885 in share subscription receivables outstanding
-deferred resources property costs increased by $422,613
- recorded stock-based compensation adjustment of $68,400
-wrote off $51,366 in general exploration costs and option fee on new property
- working deficit of $304,377

For the three months ended June 30, 2008:
-deferred resources property costs increased by $492,309
-recorded stock-based compensation of $164,300
-working deficit of $708,626

For the three months ended March 31, 2008:
- deferred resources property costs increased by $1,641,681
- recorded stock-based compensation of $186,545
- working deficit of $829,771

For the three months ended December 31, 2007:
- deferred resource property costs increased by $1,507,924
- incurred filing fees of $39,273 due to filing of private placement, convertible debenture and stock option plan
- working capital of $751,474

For the three months ended September 30, 2007:
- foreign exchange gain of $76,343 due to strength of Canadian dollar
- interest expense of $132,448 due to incurrence of large load of debt financing
- working capital deficit of $1,068,205
- stock-based adjustment of 164,400

Corporate Development

In addition to in-house corporate development activities such as answering telephone and email enquiries, dissemination of Company material, attending trade shows, and maintenance of the Company's website, in July, 2007, management appointed Barnes McInerney Inc.("Barnes"), an established investor relations consulting firm based in Toronto as its head advisor. Barnes has served the needs of more than 500 public companies in every sector of Canada's capital markets by providing effective strategic consulting and shareholder communications services supported by leading-edge multi-media capabilities. Due to financial constraints, the Company did not renew the service agreement with Barnes, which expired in July, 2008. However, management has maintained Barnes services on an hourly as required basis. For further information on Barnes McInerney Inc., visit www.barnesmcinerney.com .

Liquidity and Solvency

At this time, the Company has no operating revenues and does not anticipate any operating revenues until the Company is able to find, acquire, place in production and operate a mining property. Historically, the Company has raised funds through loans, shares for debt settlements, private placements and the exercise of options and warrants. Approximately US$7.9 million (US$226,750 uncollected as of the date of this report) was raised during fiscal 2008 (2007 – US$4.1 million) using these methods, and management plans to continue to raise the working capital required in the usual manner for 2009.

The Company has not yet determined whether its properties contain ore reserves. The recoverability of amounts shown for mineral properties is dependent upon the discovery of ore reserves in its mineral properties, the ability of the Company to obtain the necessary financing to complete development, confirmation of the Company's interest in the underlying mineral claims and leases, and upon sufficient future profits or proceeds from the disposition of its mineral properties.

The market price of metals is highly speculative and volatile. Instability in metal prices may affect the interest in mining properties and the development of and production from such properties. Any down turn may adversely affect the Company's ability to raise capital to explore existing or new mineral properties.

The Company has incurred losses since inception, and the long term survival of the Company depends on the ability of management to continue raising capital. Without further financing, there will not be sufficient funds to meet the Company's planned property exploration commitments and payments, and to cover administrative and office expenses past the 2009 fiscal year. Additional funds will be required to continue operations and meet Company objectives.

During the period ended June 30, 2009, the Company proposed a non-brokered private placement of 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"). A finder's fees in accordance with Exchange policies will be payable in connection with the private placement. To date, the Company has received proceeds of US$2,173,950 in shares subscribed.

While management has successfully raised the necessary capital to finance the Company's operations in the past, there is no assurance that it will continue to be able to do so in the future.

Outstanding Share Capital

As at August 21, 2009, the Company had the following number of securities outstanding:

Securities	Number	Weighted-Average Exercised Price	Expiry Date
Common shares issued and outstanding	374,993,034	N/A	N/A
Share purchase options	11,150,000	CAD$0.19	Dec. 24, 2009 - May 29, 2013
Share purchase warrants	53,112,133	US$0.27	Sept. 17, 2009 - Nov. 14, 2009
Convertible debentures:			
Common shares	12,000,000	N/A	N/A
Shares purchase warrants	12,000,000	US$0.05	August 25, 2011
Fully diluted share capital	463,255,167	N/A	N/A

Also refer to note 7 in the un-audited interim financial statements as at June 30, 2009.

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 related parties. The unpaid period end balances referred to below are payable on demand and have arisen from the provision of services described:

During the period ended March 31, 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.