

**EAGLECREST EXPLORATIONS LTD.**  
**Management Discussion and Analysis (Form 51-102F1)**  
**For Three Months Ended December 31, 2009**

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The management discussions and analysis, prepared as of February 23, 2010, review and summarize the activities of Eaglecrest Explorations Ltd. (“Eaglecrest” or the “Company”) and compare the financial results for the period ended December 31, 2009 with those from December 31, 2008. The following information should be read together with the un-audited consolidated financial statements for the three months ended December 31, 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, 2009 and 2008 and the related notes attached thereto. All amounts are stated in Canadian dollars unless otherwise indicated.

### **Forward Looking Statements**

Except for the historical statements contained herein, this management’s discussion and analysis presents “forward-looking statements” within the meaning of Canadian securities legislation that involve inherent risks and uncertainties. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Eaglecrest to be materially different from those expressed or implied by such forward-looking statements. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Eaglecrest does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

### **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 December 31, 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 and exploration of gold resource properties in South America. 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 (Paititi-San Francisco-Buriti), Marco Maria, and Doña Angela.

In the fall 2008 massive market sell-off and capital market implosion it became apparent that a dramatically reduced exploration program moving forward was necessary to conserve cash and still continue basic exploration in the San Simon district. This slowdown enabled the company to complete district-wide evaluation and data compilation of the 14 years of exploration history at San Simon. The cost savings enabled the Company to continue exploration until spring 2009 at which time additional funds were sought to continue moving the San Simon project forward.

More recently, Eaglecrest's San Simon technical team has focused on the completion of an on-going trenching program between Paititi and Buriti as well as a district wide sampling, mapping and geologic compilation in preparation for drilling. Drilling can commence depending only on the financial capital available from the market.

As presently contemplated, the next drill program will target the recently sampled, mapped and modeled Paititi-San Francisco-Buriti trend (bulk tonnage, open pit target) with the goal of completing sufficient drilling to allow for the preparation of a resource estimate. Also, the Company is planning to commence a resource estimate on the L463 gold shoot located along the Trinidad Vein system of the Doña Amelia zone.

Three significant corporate developments also occurred in late-calendar 2009: the Company completed a one for ten share consolidation so that our share structure is consistent with other Canadian junior explorers competing for funding in this competitive market; the Company signed a Letter of Intent to explore its first project in Colombia, called Fredonia; and, the Company received equity funding from Sprott Asset Management, the first institutional shareholder to fund Eaglecrest. With this development, the Company is well-positioned to move forward as gold prices continue to remain very strong. .

After nearly a year and a half, Eaglecrest implemented its newly adopted marketing strategy in late November and early December of 2009. In November, Eaglecrest had hired WSI Webpro to modify its website and begin to position Eaglecrest for a new image with the upcoming addition of Colombian projects. WSI Webpro employs a new technology referred to as search engine recognition which will bring Eaglecrest to the top of any search page for gold exploration in Bolivia or Colombia.

In December, Eaglecrest also contracted, for one year, ProActive Investors, an investor relations firm with contacts in Toronto and Europe, thus expanding Eaglecrest's audience. ProActive Investors have both Toronto and European offices – they organize presentations in both venues. A typical presentation will have 50-60 potential investors, and they allow only four companies to present in each venue. Additionally, all of Eaglecrest's public disclosure (news, presentations, interviews, etc.) will be syndicated to the various outlets through ProActive's distribution network, including translation of news releases into German for our German investors. ProActive also operates and updates their own web page where subscribers can access information about Eaglecrest.

The Board of Directors and technical team in Bolivia remain confident than ever that San Simon will grow into a significant gold district with further exploration and definition drilling in 2010 and 2011, at a time when gold increasingly becomes the investment of choice above all other asset classes. Additionally, the equity and capital markets are beginning to reward positive exploration results. The addition of our Colombian exploration project should also add value to Eaglecrest as we begin to initiate exploration programs. While capital markets have improved, funding for junior exploration companies remains competitive. However, the Board is more confident we can now raise funds through Canadian sources, both institutional and retail, enabling the Company to move forward and achieve its exploration objectives.

### **San Simon Property, Bolivia**

Since 2003, the Company's drilling and development activities at San Simon have been focused along 3.5 kilometres of surface gold mineralization overlying the Doña Amelia zone. The original gold discovery on the San Simon plateau was made in 1742 by Jesuit priests. The area of that discovery is now called Mina Vieja ("old mine") and it is adjacent to the Trinidad sector. The L463 gold shoot is the down-dip extension of the exposed Trinidad and Mina Vieja zones. For almost 30 years, beginning in the mid-1980's, artisanal (informal miners) have reportedly extracted thousands of ounces of gold from shallow workings of the L463 shoot along the fault. As many as 1,000 informal miners were working in these areas in the mid-1990s. The gold mineralization is exposed over a one to 20-metre width along the Trinidad-Mina Vieja zone. Rock chip and soil sampling in 2007-2008 has defined another kilometre of strike length east of the Mina Vieja zone, thus the entire Doña Amelia zone is now believed to be five kilometres long, 3.5 kilometres of which have been drilled and have surface workings along the exposed mineralization.

During early calendar 2008, using the successful drill results from detailed drilling in the L463 gold shoot, the Company completed its first in-house geologic and gold resource model for the L463 Gold Shoot in the Doña Amelia zone using Gemcom resource modeling software. While the information cannot be made public until an eventual independent NI43-101-compliant gold resource estimation, the three-dimensional model of gold mineralization and gold grades 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.

In late 2008, the Company recognized the massive sell-off in exploration company equities, and the evacuation of funding that was previously available for equity or debt financing. 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. This slowdown enabled the company to complete district-wide evaluation of the multiple zones with reported gold showings.

As a result of this disciplined approach to systematic exploration at San Simon, our geologic team has identified multiple new target zones, one of which 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 trend. 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 previously identified. Based on the new compilation, it is possible that an open-pit style gold resource can be drill tested in 2010 at the Paititi zone. All of these new zones are contained within only 20% of the entire land package at San Simon.

As the team began work on the Paititi-San Francisco-Buriti trend, it became obvious there was tremendous value in prior drilling and surface work done. Eaglecrest prior management (prior to 2002) had spent \$15 million on geologic and engineering studies of this area, but never finished exploration of the zone. Fifty-two holes were drilled from 1996 to 2000. Data from the earlier programs has been recompiled and an in-house 3D model of the gold mineralization created to assist in future drilling. .

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 with an average gold grade 1.64 grams per tonne. With gold mineralization on surface at Paititi, the preliminary geologic model demonstrates Paititi's potential for an open-pit gold resource, similar to the Sao Francisco gold mine in Brazil (average gold grade of 0.9 grams per tonne), which is located about 150 kilometres to the southeast of San Simon.

With the geologic team actively sampling the highest priority zones along the Paititi-San Francisco-Buriti trend, a new zone of significant gold mineralization was discovered near Buriti. 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 raised the priority of the entire Paititi-San Francisco-Buriti trend. Based on these new results, as well as samples collected east of Paititi, the zone now been extended to seven kilometres of strike length east-west.

Additionally, along the seven-kilometre Paititi-San Francisco-Buriti gold trend, new mapping and sampling revealed that gold-mineralization at surface may be wider than previous identified, with width greater than the 200-metres mapped at Paititi. In the Buriti zone, 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 hosts extensive gold mineralization that was previously undiscovered. The Buriti zone began to expand with persistence in the sampling program:

- On June 8, 2009, the Company announced that samples in this zone varied from below detection to 10.85 grams per tonne gold. New surface mapping and sampling extended the Buriti zone 300-metres to the north, establishing a zone at least 300-metres wide.

- On September 9, 2009 the Company reported further expansion of surface high-grade gold zones to about 600 metres by 1,500 metres, elongated east-west. Assay results from surface rock chip and channel samples in this zone varied from below detection to 49.5 grams per tonne gold. Twelve of the samples had results greater than 0.5 grams per tonne gold with nine samples returning greater than 1 gram per tonne gold.
- On December 2, 2009 the Company announced further expansion to approximately 2,500 metres east-west and 1000 metres wide. A total of 119 additional surface rock chip samples were collected and analyzed – they were focused on sampling mineralized rock that has been exposed in trenches and pits in and around the Buriti prospect. Of these, 19 of the samples had results greater than 1 gram per tonne gold. Assay results from surface rock chip and channel samples in this sample set varied from below detection to 28.1 grams per tonne gold.

The Buriti zone continues to expand as the Company dedicates more time to mapping and sampling between the Buriti and Paititi areas. These new results also validate our focus on our district-wide data compilation, mapping and sampling program that was initiated in October 2008.

With an experienced and dedicated Board guiding the Company, and a strong technical team already in place, management expects continued positive results improving both investors confidence and equity market support and assisting with fund raising endeavours during 2010. Because we have had additional time to further explore and develop new gold zones, management believes that Eaglecrest's San Simon project has potential to host three new gold resource zones 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.

### **Fredonia Project, Colombia**

In August 2009, the Board or Directors advised the Company to move towards diversifying exploration assets by reviewing opportunities to explore for gold in Colombia. Modern exploration in the gold belts of Colombia has just recently resumed after a dramatic easing of 45 years of political turmoil and security concerns. For several reasons, Colombia was elected by the Board as a high priority for acquiring a new project:

- It is the least explored of the mineral rich Andes Cordillera;
- Colombia has modern infrastructure & skilled workforce;
- Colombia has a pro-mining government, promoting rapid growth;
- Major mining companies have presence or are reviewing acquisitions;
- In 2010, Colombia is rated the 7th best mining jurisdiction in the world by Behre Dolbear;
- And, Colombia has the longest running democracy in South America, 150+ years.

In addition, senior management's deep level of experience and expertise in the Andes Mountains of South America solidified the Board's decision to focus Eaglecrest's diversification efforts on the Central Cordillera of Colombia.

A significant new corporate development occurred in late calendar 2009: on December 8<sup>th</sup>, the Company announced that it has executed a Letter of Intent ("LOI") to purchase up to a 75% interest in the mineral title of the Fredonia Area ("Fredonia"), located in Antioquia, Colombia. Fredonia is a property package owned by Grupo de Bullet, S.A. ("Bullet"), which consists of approximately 18,000 hectares of mineral title. This is the first of several projects the Company has been evaluating for acquisition in a 300-kilometre long gold belt that extends from the La Colosa gold resource owned by AngloGold-Ashanti through Medellín. Management is in the process of performing its due diligence prior to committing to the purchase. The Company can acquire a 75% interest in the Fredonia Property as follows:

Date	Expenditures (US\$)	Shares or Warrants Issuance	Cash (US\$)	Interest Earned (%)
Upon signature of Letter of Intent	\$ -	-	\$ 10,000 52,500*	-
Upon signature of Definitive Agreement (the "Signature Date")	-	1,000,000 shares and 1,000,000 warrants**	-	-
During 6 months after the Signature Date	100,000	-	50,000	12.5%
At the end of the 12 months after the Signature Date	1,000,000	-	60,000	25.0%
During 24 months after the Signature Date	1,100,000	-	-	50.0%
During 36 months after the Signature Date	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>50.0%</u>
Total	<u>\$ 2,800,000</u>		<u>\$ 120,000</u>	<u>50.0%</u>
Upon completion of a positive feasibility study				<u>75.0%</u>

\* Refundable if no Definitive Agreement is reached. The Definitive Agreement must be reached no later than 90 days after the signature of letter of intent.

\*\* Subject to Exchange acceptance, each warrant will have an exercise price equal to the closing price of the Company's common shares on the Signature Date plus a 25% premium. The warrants will have an expiry date of 2 years

In the event that any of the above-noted expenditures are not made within the timeframe specified above, the Company will be required to pay the portion of expenditures unspent directly to the optionor in cash.

At the end of thirty six months after the Signature Date, the Company must fund all additional expenditures required to reach the completion of a detailed feasibility study in respect of the Fredonia Property. After completion of a detailed feasibility study (National Instrument 43-101 compliant), each party will be required to fund its pro-rata share of future costs. During the duration of the Definitive Agreement, the Company will be responsible for all expenditures related to concessions' maintenance, including canon payments and insurance policies.

Upon acquisition of 75% interest in the Fredonia Property, the parties will form a 75/25 joint venture and funding of further exploration and development of the project will be based on the parties' percentage interest. If the Optionor chooses not to contribute to funding such work its interest will be diluted based on an industry standard dilution formulae to a minimum 2.5% net smelter royalty.

In the event that Eaglecrest is no longer interested in certain Properties, Bullet will have first right of refusal to retain its 100% interest in these at no cost. In this event all Concessions must be fully up to date in relation to all contractual commitments. Additionally, Eaglecrest must provide Bullet with copies of all data collected on the Concessions in question, at no cost.

In the event that Eaglecrest does not maintain all Concessions within the Properties fully up to date in relation to all contractual commitments, Bullet reserves the right to remove these Concessions from the Definitive Agreement. In this case Eaglecrest agrees to provide Bullet with copies of all data collected on the Concessions in question, at no cost.

The agreement is subject to approval by the regulatory authorities.

The Fredonia area was selected as part of Eaglecrest's project generation program, which the Board of Directors approved for central Colombia in August 2009. Several other projects are also currently being evaluated in the same Central Cordillera porphyry gold belt. Fredonia is a large area of principally unexplored ground, but, based on the experience of senior management of Eaglecrest, initial reconnaissance exploration by Bullet, the proximity to significant proven gold resources, and preliminary geophysical work, has a high-probability for the discovery of one or more large porphyry-style gold deposits .

The Fredonia project provides an extraordinary opportunity for Eaglecrest to acquire a significant land position within an unexplored portion of a famous gold belt with a 500-year history of gold production. With an area as large as Fredonia, there is the possibility for multiple porphyry-style gold deposits, all located in or near the established infrastructure south of Medellín. Known discoveries in this belt range from two to twelve million ounces of gold, so we are confident there is significant potential for discovery of additional gold resources in the belt.

The mineral title consists of more than 18,000 hectares located in the Cauca River Valley, between the Eastern and Western Cordillera of the Andes Mountains, northwestern Colombia. Situated approximately 40 kilometres south of the city of Medellín, in Antioquia, the property is positioned within one of the most prospective and productive gold belts of Colombia, with more than 500 years of gold mining history combined with a number of significant modern day discoveries.

Surrounding the property to the north and south are a number of projects currently being advanced by multinational exploration and mining companies. Significant new projects include AngloGold Ashanti / B2Gold's Quebradona project which is located to the south of the project area. The area also includes the historic producing mines of Titiribi, Cerro Vetas and El Zancudo, which are located southwest of Medellín. Farther south of Quebradona and in the same geologic belt lies the famous 500-year-old Marmato mining district.

Eaglecrest completed two non-brokered private placements in December, 2009 – one in the amount of US\$550,000 and another for CAD\$580,000. Most importantly, Sprott Asset Management was the lead investor, contributing CAD\$500,000 of the CAD\$580,000 private placement. The addition of Sprott to our shareholder base supports all the corporate developments we have achieved in the past three months.

This financing gives us funding to move forward with our exploration program and team building in Colombia—and we are reviewing several new strategically-located projects for acquisition. Our highest priority is to focus on projects in and around our newly signed Fredonia area where we have the option to earn up to 75% on targets within an 18,000-hectare area. These funds will also provide additional exploration funding to continue our very successful, district-wide mapping and sampling, and target-specific trenching program at the 100% owned San Simon project in northeastern Bolivia.

### **Subsequent Operating Events**

Trenching is currently underway in an effort to better expose and map the extent of gold mineralization between Buriti and Paititi. The trenching program is also focused on locating areas of disseminated gold mineralization between the high-grade gold structures that we are finding and sampling. All of these steps will enable us to better target our drilling efforts, which we anticipate resuming once funding is achieved in early 2010.

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, one at Paititi and one at Buriti. While the zone at Paititi has a size of about 200 metres width by 800 metres east-west strike as discussed above, the Buriti zone continues to grow beyond these dimensions with each new sample site and trench. 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.

## **Future Outlook**

The forward-looking annual budget for district exploration and completion of the detailed drilling in the gold shoots of the Trinidad, and surface mineralization in Paititi and Buriti is estimated to be US\$4 million for calendar 2010. Additionally, a minimum of US\$1 million is required to begin exploration and drill in the second half of calendar 2010 in Colombia. Management is confident that it can leverage its geologic knowledge at San Simon and Fredonia, generate successful drilling results, move the company towards its first gold resources in Bolivia along with initial evaluations of new gold targets in Colombia, and improve market recognition through its newly implemented marketing program:

During fiscal 2010:

- Raise sufficient funding to complete the Company's objectives.
- Complete trenching, mapping and sampling in strategic areas including eastern Trinidad and along the Paititi-San Francisco-Buriti trend in preparation for drilling.
- Once funding is secured, begin drilling at the Paititi-San Francisco-Buriti trend.
- Drill first at Paititi to determine best method of drilling a resource – put data in Gemcom model.
- Drill second phase at Paititi to achieve resource calculation.
- Complete an NI43-101 resource calculation for the Trinidad-Mina Vieja gold shoots and drilled portions to the east by mid-2010.
- Implement an aggressive exploration program in the newly-acquired Fredonia area, Colombia, including aerial geophysics, ground mapping and sampling, followed by a drill program in the second half 2010.
- Continue to build the team, including a new geologic team in Colombia and potentially improving the depth of experience of the Board of Directors.

## **International Financial Reporting Standards**

By 2011, Canadian publicly traded companies are required to adopt accounting standards that are currently used by other publicly listed companies in Europe and many other countries around the world under a global standard termed as the International Financial Reporting Standards ("IFRS"). Depending on circumstances, there will be significant difference between Canadian Generally Accepted Accounting Principals and IFRS and the conversion could be complex.

Under an international standard with the purpose of enhancing comparability and transparency can facilitate Canadian companies in accessing international funding opportunities.

The Company has initiated its procedures in gaining familiarity and knowledge regarding the changeover of reporting in compliance to the IFRS. Management is currently studying the new requirements and will evaluate the effects that are particular to the Company's situation as well as options that are available to it. Consultations with experts within the field are being sought and management aims to be ready and compliant by the end of fiscal 2010.

## Selected Annual Information

	Year Ended September 30 2009 \$	Year Ended September 30 2008 \$	Year Ended September 30 2007 \$
Interest income	346	16,700	19,507
Net loss	(1,609,609)	(2,283,563)	(2,527,412)
Basic loss per share *	(0.04)	(0.07)	(0.09)
Total assets	45,678,847	44,133,195	40,519,660
Current liabilities	483,547	1,326,511	2,108,561
Working capital (deficiency)	237,433	(304,377)	(1,068,205)
Cash dividends	Nil	Nil	Nil

\* On December 10, 2009, the Company consolidated its issued common shares on a 10:1 basis. Basic loss per share calculated based on adjusted weighted average number of post consolidated shares outstanding.

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. The significant working capital deficiency in 2007 was a result of the incurrence of over a million dollars in short term loan financing and accumulation of considerable accounts payable due mainly to the Company's aggressive drilling and underground bulk-sampling program. As of 2009, both drilling and the underground work have been suspended and the short-term debt financing has been settled. Limited surface exploration activities continued at San Simon.

Consolidated net loss for the Company in fiscal 2009 was considerably lower than in 2008 and 2007 as advertising, corporate development, legal, stock-based compensation, travel and other financing related costs were curtailed due to the economic downturn. The 2009 loss would be further reduced if the non-cash item charge of \$478,704 in debt settlement expense were removed. For a more detailed explanation on this item, see "Consolidated Results" below.

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.

### 1st Quarter Review:

For the first quarter ended December 31, 2009, the Company recorded a consolidated net loss of \$324,691 as compared to a net loss of \$234,566 for the same quarter ended in 2008. More than one-half of the \$99,947 increase in loss for 2009 was attributed to the difference of a foreign exchange loss in 2009 and the recognition of a substantial foreign exchange gain in 2008. The remainder of the increase in loss was due to higher expenditures in the areas of corporate development, filing fees and travel. These costs were related to added efforts by management in their fund raising attempts. Significant accounts and deviations between the quarters are as follows:

Administration – \$30,000 (2009 – \$30,000) - administration fees are paid or accrued to an officer of the Company.



Consulting fees - \$22,146 (2009 – \$Nil) – are mainly for preparation of due diligence packages and profiles of the Company and other financial consulting services relating to the procurement of private placements. Management has engaged this service to enhance its fund raising efforts for 2010.

Corporate development – \$86,449 (2009 - \$43,531) – such fees were paid to a Director of the Company in charge of corporate development \$30,000 (2008 - \$35,977). The remaining amounts were paid to various organizations for: development and maintenance of the Company website and other on-line hosting advertising activities; printing and distribution of Company information material; and assisting in making introductions and presentations to potential investors. These costs were higher in 2009 as management is enlisting more assistance in its added efforts to raise the substantial funds needed to initiate the Company’s anticipated exploration program for fiscal 2010.

Filing fees - \$14,240 (2008 - \$895) – costs are much higher in 2009 as in addition to the closing of two private placements, there were additional filing fees incurred regarding a debt conversion and a shares consolidation.

Foreign exchange loss - \$11,656 (2008 – gain of \$39,031) – most 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. During 2009, the US dollar dropped compared to the previous period whereas in 2008 the US dollar gained compared to the previous period resulting in a foreign gain. Another factor that determines a gain or a loss because of currency fluctuations will depend on the relative US\$ based assets to US\$ based liabilities ratio.

Insurance - \$5,882 (2008 - \$12,257) – quarterly amortization of general liability, property and officer and directors’ insurance. Costs were lower in 2009 as certain coverages were eliminated.

Interest - \$Nil (2008 – \$38,330) – interest relates to a convertible debenture as follows:

	<u>2009</u>	<u>2008</u>
- 8% rate per annum	\$ -	\$14,695 (US\$12,000)
- accretion of convertible debenture	<u>-</u>	<u>23,635 (US\$23,790)</u>
-	<u>\$ Nil</u>	<u>\$ 38,330</u>

The convertible debenture was settled during the 3<sup>rd</sup> quarter of fiscal 2009.

Debt settlement expense - \$478,704 (2008 – Nil) – as the convertible debenture was settled prior to its maturity, the equity portion of the initial transaction was not fully accreted to the loan’s face value of US\$600,000. The \$18,704 (US\$16,290) difference between the carrying amount and the fair value was recorded as debt settlement expense. An additional \$460,000 was also charged to debt settlement expense as calculated based on the Black-Scholes formula (see explanation to the same item in the above heading under “Consolidated Results”).

Legal - \$20,248 (2008 - \$10,622) – legal pertain mainly to preparing and filing of financing and option documents and other general corporate matters. During 2009, in addition to closing two private placements, an EGM was held to deal with a shares consolidation issue, which added to the legal cost for the period.

Management fees – \$47,533 (US\$45,000) (2008 - \$54,414 (US\$45,000)) – 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.

Travel & promotion – \$43,137 (2008 – \$38,484) – 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. During 2009, various personnel travelled to Columbia as management is contemplating an acquisition of a project there.

## Resource Property Values

Deferred mineral property costs increased by \$405,311 during the period ended December 31, 2009 (2008 - \$679,005). These costs were lower in 2009 and 2008 when compared to previous quarters as the underground bulk sampling work and gold processing plant operations have been terminated since 3<sup>rd</sup> quarter of 2008. 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. Due to tight cash constraints, certain camp and field activities have also been curtailed.

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

## Summary of Selected Quarterly Information

	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
Quarter Ended	2009	2009	2009	2009	2008	2008	2008	2008
	\$	\$	\$	\$	\$	\$	\$	\$
Current assets	992,536	720,980	1,904,671	221,189	271,615	1,022,134	428,167	428,444
Resource assets	45,324,180	44,918,869	44,426,042	44,157,033	43,647,033	42,968,028	42,545,415	42,053,106
Current liabilities	355,317	483,547	1,591,958	1,392,234	1,159,766	1,326,511	1,136,793	1,258,215
Shareholders' Equity								
Capital stock	68,649,330	67,689,035	63,779,147	63,779,147	63,779,147	63,779,147	60,461,025	60,461,025
Share subscriptions	1,156,000	1,156,000	3,462,252	1,600,980	1,156,000	1,156,000	2,580,237	1,609,596
Contributed surplus	3,352,521	3,352,521	3,088,439	3,088,439	3,088,439	3,088,439	3,020,039	2,855,739
Deficit	(27,130,769)	(26,806,078)	(25,366,560)	(25,232,199)	(24,972,583)	(24,738,017)	(24,266,288)	(23,625,265)
Net loss	(324,691)	(978,066)	(134,361)	(259,616)	(234,566)	(471,729)	(641,023)	(675,111)
Working capital (deficit)	637,219	237,433	312,713	(1,171,045)	(888,151)	(304,377)	(708,626)	(829,771)
Basic loss per share *	(\$0.01)	(\$0.02)	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.02)	(\$0.02)

\* On December 10, 2009, the Company consolidated its issued common shares on a 10:1 basis. Basic loss per share calculated based on adjusted weighted average number of post consolidated shares outstanding.

## Significant Item(s) Within the Quarter:

For the three months ended December 31, 2009:

- \$80,000 in share subscription receivable outstanding
- deferred resource property costs increased by \$405,311
- incurred \$31,681 in other deferred property charges relating to due diligence re: Columbia property
- working capital of \$637,219

For the three months ended September 30, 2009:

- \$276,178 (US\$258,750) in share subscription receivables outstanding
- deferred resources property costs increased by \$492,827
- working capital of \$237,433
- recorded \$478,704 in debt settlement expense on conversion of debenture
- charged \$461,452 to deficit in settling of debenture through issuance of shares

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

## **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, Management has appointed (subject to Exchange acceptance) CHF Investor Relations ("CHF"), an established investor relations consulting firm based in Toronto (with international affiliations) and specializing in serving emerging public companies as its head advisor. CHF has been under the same management for the past 17 years and its outreach program will bring the Eaglecrest news and highlights to the attention of brokers who specialize in merging exploration companies much like Eaglecrest. CHF is also an integral part of the Company's program to pursue both Canadian institutional and retail funding sources through their network of contacts in Toronto, Vancouver, and Calgary. For further information on CHF Investor Relations, visit [www.chfir.com](http://www.chfir.com).

In December, 2009, ProActiveinvestors ("ProActive"), an on-line company that provides business, financial and stock-market news throughout North American, Europe and parts of Asia was engaged for a one-year period to expand the Company's audience. All news releases, presentations, interviews, etc., will be syndicated to various outlets through ProActive's distribution network. As Eaglecrest is also listed on the Frankfurt Exchange, the Company's news releases will be translated into German for our German investors. Furthermore, ProActive operates and maintains its own web page where subscribers can access information about Eaglecrest.

The Company has also engaged WSI Webpro a US-based company to modify its website and to position Eaglecrest for a new image based on the contemplated Columbian projects. Wespro employs a new technology referred to as search engine recognition, which will bring Eaglecrest to the top of any search page for gold exploration in Bolivia or Colombia.

## **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. Due to the economic downturn during fiscal 2009, approximately US\$2.24 million was raised as compared to in excess of US\$7.93 million raised in 2008 using these methods. Management plans to continue to raise the working capital required in the usual manner for 2010.

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 for the 2010 fiscal year. Additional funds will be required to continue operations and meet Company objectives.

In the first quarter of 2010, two private placements have been closed: one for US\$550,000 and another for CAD\$580,000. Although, the equity outlook is improving and 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**

On December 10, 2009, shareholders approved by a 98% vote in favor of a 10 for one share consolidation. The consolidation was effective on the TSX Venture Exchange on Monday, December 14, 2009.

On a post consolidation basis, the following number of securities was outstanding as at February 23, 2010:

Securities	Number	Weighted-Average Exercised Price	Expiry Date
Common shares issued and outstanding	45,592,234	N/A	N/A
Share purchase options	2,610,000	CAD\$1.10	April 22, 2010 – Jan 19, 2015
Share purchase warrants (US\$)	5,581,900	US\$1.00	Aug 13, 2010 – Dec 4 2010
Share purchase warrants (CAD\$)	1,210,000	CAD\$0.74	December 24, 2011
Fully diluted share capital	54,994,134	N/A	N/A

### **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 December 31, 2009:

- A director of the Company was paid or accrued \$30,000 (2008: \$43,531) for corporate development fees and one officer of the Company was paid or accrued \$30,000 (2008: \$30,000) for accounting and administration services. At December 31, 2009, the related parties were owed \$69,025 (2008: \$29,774) for the unpaid portions of these amounts and reimbursement of expenditures made on behalf of the Company, which is included in accounts payable.

- A Private company owned by a director of the Company was paid or accrued \$47,534 (2008: \$54,414) in management fees. At December 31, 2009, the related party was owed \$nil (2008: \$18,369) for the unpaid portions of these amounts and reimbursement of expenditures made on behalf of the Company, which is included in accounts payable.
- A law firm of which an officer of the Company is a partner charged the Company or accrued by the Company \$2,758 (2008: \$10,622) for legal services. At December 31, 2009, this related party was owed \$644 (2008: \$43,039) for the unpaid portion of this amount, which is included in accounts payable.
- Officers of the Company and a private company controlled by a director of the Company were paid or accrued \$6,358 (2008: \$32,982) for geological consulting services. At December 31, 2009, the related parties were owed \$Nil (2008: \$19,090) for the unpaid portion of the amount, which is included in accounts payable.

As at December 31, 2009, accounts payable are inclusive of \$69,669 (2008: \$100,272) due to related parties.

### **Subsequent Events**

The following occurred during the period subsequent to December 31, 2009:

- Options were granted to insiders and consultants of the Company to purchase up to an aggregate of 1,735,000 shares of the capital of the Company exercisable at \$0.60 per share. 100,000 of the options granted expire January 19, 2012 and the 1,635,000 remaining options expire on January 19, 2015.

The options granted are subject to acceptance by the TSX Venture Exchange.