

EAGLECREST EXPLORATIONS LTD.

(A Development Stage Company)

Consolidated Financial Statements

For the Nine Months Ended June 30, 2010

(Un-audited – Prepared by Management)



EAGLECREST EXPLORATIONS LTD.

Suite 300 - 1055 West Hastings Street. Vancouver, B.C. V6E 2E9
Tel. (604) 684-7160 Fax. (604) 684-7162

(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, 2010, were prepared by and are the responsibility of the Company’s management.

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The interim consolidated financial statements of Eaglecrest Explorations Ltd. (a development stage company) are the responsibility of the Company's management. The interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgment based on information currently available. The most significant of these accounting principles have been set out in the September 30, 2009 audited financial statements. Only changes in accounting principles have been disclosed in these unaudited interim consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded and financial information is reliable. These internal controls provide Management sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim consolidated financial statements and (ii) the unaudited interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim consolidated financial statements.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control through an audit committee, which is comprised of a majority of non-management directors. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

EAGLECREST EXPLORATIONS LTD.

Interim Consolidated Balance Sheets
June 30, 2010 and September 30, 2009
(Expressed in Canadian Dollars)
(Un-audited – Prepared by Management)

	June 30, 2010 (Un-audited) \$	September 30, 2009 (Audited) \$
Assets		
Current		
Cash	1,639,206	655,721
Receivables	24,338	30,123
Prepaid expenses and deposits	104,939	35,136
	<u>1,768,483</u>	<u>720,980</u>
Property, plant and equipment (note 3)	42,120	38,998
Other deferred property charges (note 4)	61,415	-
Resource properties (schedule 1 and note 5)	44,842,018	44,918,869
	<u>46,714,036</u>	<u>45,678,847</u>
Liabilities		
Current		
Accounts payable and accrued Liabilities	407,297	483,547
	<u>407,297</u>	<u>483,547</u>
Asset retirement obligation - (note 2)	80,000	80,000
	<u>487,297</u>	<u>563,547</u>
Shareholders' Equity		
Share capital (note 8(a))	70,706,556	67,689,035
Share subscriptions (note 8(f))	1,356,000	1,156,000
Share subscriptions receivable (note 8(h))	(72,500)	(276,178)
Contributed surplus (note 8(i))	4,180,159	3,352,521
Deficit	(29,943,476)	(26,806,078)
	<u>46,226,739</u>	<u>45,115,300</u>
	<u>46,714,036</u>	<u>45,678,847</u>

Nature of Operations and Ability to Continue as a Going Concern – Note 1
Commitments – Notes 4 and 5
Subsequent Events – Notes 10

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

<u>“Paul Zdebiak”</u>	Director	<u>“Hans Rasmussen”</u>	Director
Paul Zdebiak		Hans Rasmussen	

SEE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EAGLECREST EXPLORATIONS LTD.
Interim Consolidated Statements of Operations and Deficit
For the Three Months and Nine Ended June 30, 2010 and 2009
(Expressed in Canadian Dollars)
(Un-audited – Prepared by Management)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Expenses:				
Accounting and audit	10,000	11,904	34,352	34,843
Administration	30,000	30,000	90,000	90,000
Advertising	-	-	1,409	-
Amortization	1,317	1,653	3,944	4,960
Bank charges	627	(443)	1,982	636
Consulting	22,120	-	71,819	-
Corporate development	114,103	47,604	270,014	133,980
Filing fees	14,795	-	42,356	9,209
Foreign exchange loss (gain)	(722)	(103,403)	17,636	(123,807)
Insurance	9,504	12,225	22,492	36,740
Interest on convertible debenture	-	37,585	-	114,671
Legal	18,706	3,314	41,404	13,932
Management fees	47,077	52,312	140,931	163,435
Office and printing	16,961	9,172	67,921	62,076
Shareholders information	2,686	2,205	13,411	6,809
Stock-based compensation	-	-	811,191	-
Transfer agent	7,313	4,730	29,333	9,515
Travel and promotion	59,726	25,503	151,351	71,890
Write off of mineral properties (Note 5)	1,333,455	-	1,333,455	-
Total expenses	<u>1,687,668</u>	<u>134,361</u>	<u>3,145,001</u>	<u>628,889</u>
Other items:				
Loss (gain) on disposal of equipment	2,505	-	(7,603)	-
Interest income	-	-	-	(346)
Net loss and comprehensive loss for the period	<u>(1,690,173)</u>	<u>(134,361)</u>	<u>(3,137,398)</u>	<u>(628,543)</u>
Deficit - beginning of period	<u>(28,253,303)</u>	<u>(25,232,199)</u>	<u>(26,806,078)</u>	<u>(24,738,017)</u>
Deficit - end of period	<u><u>(29,943,476)</u></u>	<u><u>(25,366,560)</u></u>	<u><u>(29,943,476)</u></u>	<u><u>(25,366,560)</u></u>
Loss per common share	<u>(\$0.04)</u>	<u>\$0.00</u>	<u>(\$0.07)</u>	<u>(\$0.02)</u>
Weighted-average number of common shares outstanding	<u>44,401,244</u>	<u>36,792,577</u>	<u>44,401,244</u>	<u>36,792,577</u>

SEE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EAGLECREST EXPLORATIONS LTD.
Interim Consolidated Statements of Cash Flows
For the Three Months and Nine Months Ended June 30, 2010 and 2009
(Expressed in Canadian Dollars)
(Un-audited – Prepared by Management)

	Three Months Ended June 30		Nine Months Ended June 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cash provided by (used in):				
Operating activities				
Net loss for the period	(1,690,173)	(134,361)	(3,137,398)	(628,543)
Items not affecting cash:				
Accretion of convertible debenture	-	23,634	-	70,902
Amortization	1,317	1,653	3,944	4,960
Foreign exchange adjustments	-	(27,797)	-	78,504
Loss (gain) on disposition of property plant and equip.	2,505	-	(7,603)	-
Stock-based compensation	-	-	811,191	-
Write-off of mineral properties	1,333,455	-	1,333,455	-
	<u>(352,896)</u>	<u>(136,871)</u>	<u>(996,411)</u>	<u>(474,177)</u>
Net change in non-cash working capital items:				
Receivables	(8,589)	(7,512)	5,785	459,572
Prepaid expenses and deposits	(20,706)	15,840	(69,803)	2,976
Accounts payable and accrued liabilities	(12,770)	226,040	(76,250)	130,734
	<u>(394,961)</u>	<u>97,497</u>	<u>(1,136,679)</u>	<u>119,105</u>
Financing activities				
Subscription receivable	-	-	120,438	2,306,252
Shares subscribed	-	1,861,272	-	-
Cash received for capital stock issued (net)	2,261,778	-	3,317,208	-
	<u>2,261,778</u>	<u>1,861,272</u>	<u>3,437,646</u>	<u>2,306,252</u>
Investing activities				
Property, plant and equipment expenditures	(4,328)	-	(22,818)	-
Sale of property plant and equipment	-	-	18,900	-
Other deferred property expenditures	(15,551)	-	(61,415)	-
Resource property expenditures	(352,731)	(266,960)	(1,252,149)	(1,360,868)
	<u>(372,610)</u>	<u>(266,960)</u>	<u>(1,317,482)</u>	<u>(1,360,868)</u>
Increase (decrease) in cash	1,494,207	1,691,809	983,485	1,064,489
Cash - beginning of period	<u>144,999</u>	<u>138,125</u>	<u>655,721</u>	<u>765,445</u>
Cash - end of period	<u><u>1,639,206</u></u>	<u><u>1,829,934</u></u>	<u><u>1,639,206</u></u>	<u><u>1,829,934</u></u>

Supplemental disclosure of non-cash financing and investing activities:

During the period, equipment amortization of \$4,455 (2009 - \$97,146) was recorded in resources property expenditures and 505,000(2009 –nil) common shares valued at \$255,356 and 65,400 (2009 – nil) agents' warrants valued at \$16,447 were issued or accrued for finder's fees.

EAGLECREST EXPLORATIONS LTD.
Consolidated Schedule of Resource Property Costs
(Expressed in Canadian Dollars)

	(Audited) September 30, 2008 \$	Additions During the Year \$	(Audited) September 30, 2009 \$	Additions During the Period \$	(Un-audited) June 30, 2010 \$
Bolivia					
San Simon Zone					
Acquisition costs	2,616,890	44,045	2,660,935	53,445	2,714,380
Admin and office	273,846	68,000	341,846	23,033	364,879
Assays	472,225	30,910	503,135	54,173	557,308
Camp costs	1,848,635	124,276	1,972,911	104,708	2,077,619
Consulting fees	2,348,058	259,052	2,607,110	160,204	2,767,314
Drilling	1,501,060	-	1,501,060	-	1,501,060
Mapping	122,400	-	122,400	1,488	123,888
Equipment rental	1,173,624	41,626	1,215,250	34,756	1,250,006
Environmental	11,957	9,673	21,630	6,744	28,374
Field costs	738,319	-	738,319	592	738,911
Geophysical & surveys	189,608	3,918	193,526	2,776	196,302
Professional fees	217,391	-	217,391	-	217,391
Sampling and analysis	132,529	-	132,529	-	132,529
Wages	750,769	279,272	1,030,041	272,004	1,302,045
Travel/transportation	521,788	59,774	581,562	47,789	629,351
Underground development	2,420,241	-	2,420,241	-	2,420,241
Vehicle maintenance	393,251	-	393,251	-	393,251
	<u>15,732,591</u>	<u>920,546</u>	<u>16,653,137</u>	<u>761,712</u>	<u>17,414,849</u>
Dona Amelia Zone					
Acquisition costs	156,142	21,146	177,288	63,012	240,300
Admin and office	1,053,624	76,571	1,130,195	25,353	1,155,548
Amortization	910,335	99,310	1,009,645	4,455	1,014,100
Assays	970,733	25,687	996,420	-	996,420
Camp costs	1,336,056	101,874	1,437,930	50,644	1,488,574
Consulting fees	2,733,542	114,471	2,848,013	73,904	2,921,917
Drilling	9,100,468	1,296	9,101,764	-	9,101,764
Environmental	309,215	16,336	325,551	6,743	332,294
Mapping	66,119	441	66,560	1,737	68,297
Equipment rental	1,182,943	38,146	1,221,089	19,154	1,240,243
Field costs	2,176,362	-	2,176,362	592	2,176,954
Geophysical & surveys	77,550	4,603	82,153	2,776	84,929
Supplies	159,349	-	159,349	-	159,349
Travel/transportation	788,364	37,579	825,943	18,184	844,127
Underground development	3,761,921	-	3,761,921	-	3,761,921
Wages	2,626,326	168,650	2,794,976	49,268	2,844,244
				-	
Recovery - gold concentrates	(1,017,004)	13,192	(1,003,812)	-	(1,003,812)
	<u>26,392,045</u>	<u>719,302</u>	<u>27,111,347</u>	<u>315,822</u>	<u>27,427,169</u>

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EAGLECREST EXPLORATIONS LTD.
Consolidated Schedule of Resource Property Costs
(Expressed in Canadian Dollars)

	(Audited) September 30, 2008 \$	Additions During the Year \$	(Audited) September 30, 2009 \$	Additions During the Period \$	(Un-audited) June 30, 2010 \$
Marco Maria Zone					
Acquisition costs	323,960	32,557	356,517	29,363	385,880
Admin and office	13,033	11,763	24,796	5,522	30,318
Camp costs	7,476	8,505	15,981	5,616	21,597
Consulting	11,159	11,892	23,051	5,733	28,784
Equipment rental	7,131	1,991	9,122	260	9,382
Mapping	-	-	-	125	125
Professional fees	10,701	-	10,701	-	10,701
Field costs	1,723	174	1,897	-	1,897
Travel/transportation	1,367	2,733	4,100	2,014	6,114
Wages	8,234	27,769	27,769	22,413	50,182
Write-off mineral property costs	-	-	-	(544,980)	(544,980)
	<u>384,784</u>	<u>97,384</u>	<u>473,934</u>	<u>(473,934)</u>	<u>-</u>
Dona Angela (Campo Nuevo) Zone					
Acquisition costs	220,497	49,528	270,025	61,808	331,833
Admin and office	30,043	18,451	48,494	5,071	53,565
Assays	13,730	6,141	19,871	-	19,871
Camp costs	51,893	21,914	73,807	5,695	79,502
Consulting	35,550	26,154	61,704	6,855	68,559
Equipment rental	40,274	11,943	52,217	390	52,607
Environmental	632	-	632	-	632
Field costs	27,552	688	28,240	-	28,240
Mapping	2,777	-	2,777	125	2,902
Professional fees	3,147	-	3,147	-	3,147
Travel/transportation	12,180	11,938	24,118	2,355	26,473
Wages	28,567	66,852	95,419	25,725	121,144
Write-off mineral property costs	-	-	-	(788,475)	(788,475)
	<u>466,842</u>	<u>213,609</u>	<u>680,451</u>	<u>(680,451)</u>	<u>-</u>
Total	<u>42,976,262</u>	<u>1,950,841</u>	<u>44,918,869</u>	<u>(76,851)</u>	<u>44,842,018</u>

SEE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EAGLECREST EXPLORATIONS LTD.
Notes to the Consolidated Financial Statements
June 30, 2010 and 2009
(Expressed in Canadian Dollars unless otherwise indicated)
(Un-audited – Prepared by Management)

Note 1 Nature of Operations and Ability to Continue as a 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 (“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 is 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, 2010, the Company had not yet achieved profitable operations, has accumulated losses of \$29,943,476 (2009: \$25,366,560) since its inception, has working capital of \$1,361,186 (2009: \$312,713) 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.

Note 2 Summary of Significant Accounting Policies

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles (“GAAP”) in Canada and are stated in Canadian dollars. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates, which have been made using careful judgment. Actual results may differ from these estimates.

Principles of Consolidation

These consolidated financial statements have, in management’s opinion, been properly prepared within the framework of the significant accounting policies summarized below:

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.

Note 2 Summary of Significant Accounting Policies – (cont'd)

Resources Properties – (cont'd)

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.

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 and 20% for office furniture.

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.

Note 2 Summary of Significant Accounting Policies – (cont'd)

Foreign Currency Translation – (cont'd)

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.

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.

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.

Basic and Diluted Loss Per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation, as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the years presented.

For the periods ended June 30, 2010 and 2009, potentially dilutive common shares (relating to options and warrants outstanding) were not included in the computation of loss per share because their effect was anti-dilutive.

Note 2 Summary of Significant Accounting Policies – (cont'd)

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 Company records a liability for the fair value of the statutory, contractual or legal asset retirement obligations (“ARO”) associated with the retirement and reclamation of tangible long-lived assets when the related assets are put into use, with a corresponding increase to the carrying amount of the related assets. This corresponding increase to capitalized costs is amortized to earnings on a basis consistent with depreciation, depletion, and amortization of the underlying assets. Subsequent changes in the estimated fair value of the ARO are capitalized and amortized over the remaining useful life of the underlying asset. The ARO liabilities are carried on the consolidated balance sheet at their discounted present value and are accreted over time for the change in their present value, with this accretion charge included in depreciation, depletion and amortization.

As at June 30, 2010, the Company has recorded \$80,000 (2009: \$80,000) as an estimated asset retirement obligation.

Impairment of Long-Lived Assets

Long-lived assets and intangibles to be held and used by the Company are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes there has been no impairment of the Company’s long-lived assets as at June 30, 2010 and 2009.

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.

Note 2 Summary of Significant Accounting Policies – (cont'd)

Environmental Expenditures – (cont'd)

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.

Comprehensive Income

Canadian Institute of Chartered Accountants (“CICA”) Handbook 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.

Financial Instruments Recognition & Measurement

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.

The Company has classified its financial instruments as follows:

- Cash is classified as held-for-trading.
- Receivables are classified as loans and receivables.
- Accounts payable and accrued liabilities and convertible debenture are classified as other liabilities.

The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

Note 2 Summary of Significant Accounting Policies – (cont'd)

Adoption of New Accounting Standards in 2008

Effective October 1, 2007, the Company adopted four new Canadian Institute of Chartered Accountants (“CICA”) accounting standards: (a) Handbook Section 1535, *Capital Disclosures*; (b) Handbook Section 3862, *Financial Instruments – Disclosures*; (c) Handbook Section 3863, *Financial Instruments – Presentation*; and (d) Handbook Section 1506, *Accounting Changes*. The main requirements of these new standards and the resulting financial statement impact are described below.

Consistent with the requirements of the new accounting standards, the Company has not restated any prior period amounts as a result of adopting the accounting changes. The effect of the adoption of these standards is summarized below:

Capital Disclosure, Section 1535

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the exploration of its mineral properties. Therefore, the Company monitors the level of risk incurred in its mineral property expenditures relative to its capital structure which is comprised of working capital and shareholders’ equity.

The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the exploration of its mineral properties, the Company prepares annual expenditure budgets which are updated as necessary and are reviewed and periodically approved by the Company’s Board of Directors. To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of mineral properties.

The Company’s investment policy is to hold excess cash in interest bearing bank accounts.

The Company is not subject to externally imposed capital requirements. There has been no change in the Company’s approach to capital management during the period ended June 30, 2010.

Financial Instruments – Disclosure and Presentation, Section 3862 and 3863

Sections 3862 and 3863 replace Section 3861, “Financial Instruments Disclosure and Presentation.” The Company’s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company’s activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company’s exposure to each of the above risks and the Company’s objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

Note 2 Summary of Significant Accounting Policies – (cont'd)

Financial Instruments – Disclosure and Presentation, Section 3862 and 3863 – (cont'd)

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein.

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's receivable relates to Goods and Services Tax input tax credits and recovery from gold concentrates.

b) Liquidity Risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company anticipates it will have adequate liquidity to fund its financial liabilities through its future equity placements.

As at June 30, 2010, the Company's financial liabilities were comprised of accounts payable and accrued liabilities.

c) Market Risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

i) Currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the development stage and has not yet developed commercial mineral interests, the underlying commodity price for minerals is impacted by changes in the exchange rate between the Canadian and United States dollar. Although a portion of the Company's transactions are denominated in US dollars and Bolivian Boliviano, the Company is not significantly exposed to foreign currency exchange risk at this time.

Note 2 Summary of Significant Accounting Policies – (cont'd)

Adoption of New Accounting Standards – (cont'd)

Financial Instruments – Disclosure and Presentation, Section 3862 and 3863 – (cont'd)

c) Market Risk – (cont'd)

ii) Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. As the Company has not yet developed commercial mineral interests, it is not exposed to commodity price risk at this time.

iii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As the Company has no interest-bearing investments or debt, it is not exposed to interest rate risk at this time.

Accounting Changes, Section 1506:

Section 1506 revised the standards on changes in accounting policy, estimates or errors to require a change in accounting policy to be applied retrospectively (unless doing so is impracticable or is specified otherwise by a new accounting standard), changes in estimates to be recorded prospectively, and prior period errors to be corrected retrospectively. Voluntary changes in accounting policy are allowed only when they result in financial statements that provide reliable and more relevant information. In addition, these revised standards call for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact of this new standard cannot be determined until such time as the Company makes a change in accounting policy, other than the changes resulting from the implementation of the new CICA Handbook standards discussed in this note.

Transaction Costs

On June 1, 2007, the Emerging Issues Committee of the CICA issued abstract No. 166, Accounting Policy Choice for Transaction Costs (“EIC-166”). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial liabilities that are classified as other than held-for-trading to its initial carrying cost measured upon the adoption of CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement (“Section 3855”). Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company adopted EIC-166 effective for the year ended September 30, 2008. The Company has chosen to recognize all transaction costs in operations on all financial instruments that have been designated as other than held-for-trading. The adoption of this policy had no material effect on the Company’s financial statements

Note 2 Summary of Significant Accounting Policies – (cont'd)

Adoption of New Accounting Standards – (cont'd)

Cash Distributions

CICA Handbook Section 1540, Cash Flow Statements, has been amended to require additional disclosures where cash distributions are made in accordance with a contractual obligation for cash distributions. The adoption of this section has not resulted in any changes on the disclosure within the financial statements.

Goodwill and Intangible Assets

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company has adopted the new standards for its fiscal year beginning October 1, 2008. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption of this new section had no impact on the Company's financial statements.

Assessing Going Concern

The Canadian Accountability Standards Board (“AcSB”) AcSB amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of this Section did not result in any changes on the disclosure within the financial statements.

Business Combinations, Section 1582

This Section, which replaces the former Business Combinations, Section 1581, establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3, “Business Combinations”.

The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted, in which case an entity would also early adopt Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. The application of this accounting pronouncement does not impact the Company.

Note 2 Summary of Significant Accounting Policies – (cont'd)

Recent Released Canadian Accounting Standards

Consolidated Financial Statements, Section 1601

This Section, which, together with new Section 1602, replaces the former Consolidated Financial Statements, Section 1600, establishes standards for the preparation of consolidated financial statements.

The Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1582, Business Combinations and Section 1602, Non-Controlling Interests. The application of this accounting pronouncement does not impact the Company.

Non-Controlling Interests, Section 1602

This new Section establishes standards for accounting for non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. In addition, the definition of a business is expanded.

This Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted, in which case an entity would also early adopt Section 1582, Business Combinations and Section 1601, Consolidated Financial Statements. The application of this accounting pronouncement does not impact the Company.

International financial reporting standards (“IFRS”)

In 2006, AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Note 3 Property, Plant and Equipment

	June 30, 2010			Sept. 30, 2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Office Equipment	105,409	82,233	23,176	25,962
Field Equipment	40,964	39,780	1,184	1,528
Automotive	73,748	55,988	17,760	11,508
	220,121	178,001	42,120	38,998

Note 4 Other Deferred Property Charges

On December 6, 2009, the Company signed a Letter Of Intent to purchase up to a 75% interest in the mineral rights of the Fredonia area (the “Fredonia Property”), located in Antioquia, Colombia. Management is in the process of performing its due diligence and working on finalizing a definitive agreement. Meanwhile, all preliminary expenditures relating to the Fredonia Property have been deferred. In the event the transaction is not completed, all expenditures deferred will be expensed at that time.

The Company can acquire a 75% interest in the Fredonia Property as follows:

<u>Date</u>	<u>Expenditures (US\$)</u>	<u>Shares or Warrants Issuance</u>	<u>Cash (US\$)</u>	<u>Interest Earned (%)</u>
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 the letter of intent (date has subsequently been extended to August 17, 2010)

** Subject to regulatory approval 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.

Note 4 Other Deferred Property Charges – (cont'd)

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 feasibility study (National Instrument 43-101 compliant), each party will be required to fund its pro-rata share of development costs. During the duration of the Definitive Agreement, the Company will be responsible for all expenditures related to concession maintenance, including canon payments and insurance policies.

Upon acquisition of a 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.

Subsequent to the current reporting period, a definitive agreement has been signed, see Note 10.

Note 5 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.

San Simon and Dona Amelia Zones

Pursuant to a formal 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 US\$500,000 and a second 1% for US\$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.

Note 5 Resource Properties – (cont'd)

San Simon and Dona Amelia Zones

The Company advanced US\$250,000 during the year ended September 30, 2007 as security for payment of exploration services to be provided. This amount was fully expensed during the year ended September 30, 2008.

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 without payment of the 2nd US\$25,000. The initial US \$25,000 paid was recorded as a part of general exploration costs.

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 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 US\$500,000 and a second 1% for US\$1,000,000.

During the current period, the Marco Maria concessions have been dropped and \$544,980 in related deferred costs have been written off.

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 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 US\$95,000 (US\$20,000 paid) to the optionor prior to July 31, 2003.

Pursuant to an amending agreement signed in August, 2003, the Company has agreed to pay the optionor the remaining US\$75,000 (US\$37,500 paid) and incur annual exploration expenditures until production of US\$100,000. The optionor agreed to accept 375,000 common shares (issued by the Company) at a price of US\$0.10 for the remaining US\$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 US\$70,000 have been paid to date and the next payment of US\$10,000 is due October, 2010.

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

During the current period, the Dona Angela concessions have been dropped and \$788,475 in related deferred costs have been written off.

Note 6 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 was two years and matured on August 8, 2009 bearing an interest rate of 12% per annum. The lender had 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 consisted of one common share of the Company and one warrant. Each warrant had a term expiring on August 8, 2009 and was exercisable to purchase one common share of the Company at US\$0.165 per share, which would total 3,636,364 shares.

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:

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

On June 25, 2009, a debt settlement agreement was reached to repay the principal amount of US\$600,000 through the issuance by the Company to the debtor 12,000,000 units at the fair value of US\$0.05 per unit (issued). Each unit consisted of one common share of the Company and one share purchase warrant exercisable at US\$0.10 per share to purchase an additional share of the Company until October 19, 2010. The 8,363,636 incremental shares were valued at \$480,156 (US\$418,182) and allocated \$461,452 (US\$401,892) to the equity component and \$18,704 (US\$16,290) to debt settlement expense. The incremental value of the warrants was calculated as \$460,000 using the Black-Scholes option valuation model with the following assumptions; risk-free interest rate 1.50%; expected dividend yield – Nil; expected stock price volatility 199% - 236%; and expected warrant life of 0.1 – 2.0 years. This amount has been included in debt settlement expense.

Also, pursuant to the debt settlement agreement, a cash payment of US\$90,038 was made to satisfy the accrued interest up to the date of the agreed settlement.

Over the term of the debenture, the liability was accreted to its face value. During the year ended September 30, 2009, total interest recorded amounted to \$138,806 (US\$130,228) (2008: \$128,580 (US\$128,068)); \$42,753 (US\$35,068) was paid as part of US\$90,038 above ((2008: \$49,135 (US\$48,000) was included in accounts payable), and \$73,051 (US\$71,370) (2008: \$79,445 (US\$80,068)) was accreted.

During the year ended September 30, 2009, as a result of the early conversion of the loan, \$1,349,388 was credited to share capital as follows: \$673,314 (US\$576,210) from the liability component of the loan; \$264,802 (US\$214,799) to contributed surplus; \$461,452 (US\$401,892) from deficit; and \$478,704 (US\$416,917) of debt settlement expense.

Note 7 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.

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Note 7 Related Party Transactions – (cont'd)

During the nine month period ended June 30, 2010:

- A director of the Company was paid or accrued \$102,000 (2009: \$128,226) for corporate development fees and one officer of the Company was paid or accrued \$90,000 (2009: \$90,000) for accounting and administration services. At June 30, 2010, the related parties were owed \$30,540 (2009: \$148,147) 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 \$140,932 (2009: \$148,147) in management fees. At June 30, 2010, the related party was owed \$29,166 (2009: \$134,203) for the unpaid portions of these amounts and reimbursement of expenditures made on behalf of the Company, which is included in accounts payable.
- An officer of the Company and a private company controlled by a director of the Company were paid or accrued \$37,697 (2009: \$42,081) for geological consulting services. At June 30, 2010, the related parties were owed \$17,534 (2009: \$31,053) for the unpaid portion of the amount, which is included in accounts payable.

As at June 30, 2010, accounts payable are inclusive of \$77,240 (2009: \$367,415) due to related parties.

Note 8 Share Capital

a) Authorized:

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

b) Issued:

	June 30, 2010		September 30, 2009	
	Number of Shares	\$	Number of Shares	\$
Issued - Beginning of period	433,812,034	67,689,035	374,993,034	63,779,147
Shares consolidation 10:1 Issued:	(390,430,800) *	-	-	-
Private placements	6,798,956	3,429,908	44,819,000	2,570,294
Shares issued for finder's fees	105,000	55,356	2,000,000	108,820
Settlement of debt		-	12,000,000	1,349,388
Returned to treasury/cancelled	(154,000) (1)	(163,240)	-	-
Issue costs	-	(304,503) (2)	-	(118,614) (3)
Issued - End of end period	<u>50,131,190</u>	<u>70,706,556</u>	<u>433,812,034</u>	<u>67,689,035</u>

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Note 8 b) Issued: – (cont'd)

* On December 10, 2009, the Company consolidated its issued common shares on a 10:1 basis.

- (1) Shares returned to treasury and cancelled due to the non-payment of shares subscribed for.
- (2) \$32,700 in cash was paid, 65,400 agent's warrants valued at \$16,447 and 105,000 shares valued at \$55,356 were issued and another 400,000 shares valued at \$200,000 have been accrued as finders' fees.
- (3) \$9,794 in cash was paid and 2,000,000 common shares valued at \$108,820 were issued as finders' fees.

During the period ended June 30, 2010, the Company issued common shares pursuant to the following non-brokered private placements:

11,000,000 pre-consolidation units pursuant to a non-brokered private placement at a price of US\$0.05 per unit for gross proceeds of US\$550,000. Each unit consists of one pre-consolidation common share of the Company and one pre-consolidation non-transferable share purchase warrant exercisable to purchase one additional common share of the Company for US\$0.10 until December 4, 2010. Finders' fees of 1,050,000 pre-consolidation shares have been issued. As a result of the share capital consolidation on December 10, 2009, the private placement units and finder's fee shares issued were reduced to 1,100,000 units and 105,000 shares respectively.

1,160,000 post-consolidation units pursuant to a non-brokered private placement at a unit price of \$0.50 raising a total of \$2,269,478. Each post-consolidation unit consists of one common share of the Company and one warrant exercisable to purchase an additional common share of the Company at a price of \$0.75 expiring December 24, 2011. A finder's fee of \$25,000 cash have been paid and 50,000 warrants each exercisable to purchase one common share of the Company at \$0.50 expiring December 24, 2011 have been issued in connection to the private placement.

4,538,956 post-consolidation units pursuant to a non-brokered private placement at a unit price of \$0.50 raising a total of \$2,269,478. Each post-consolidation unit consists of one common share of the Company and one warrant exercisable to purchase an additional common share of the Company at a price of \$0.75 expiring May 10, 2012; provided that at any time the Company's shares have a closing price higher than \$1.10 per share for a period of 20 consecutive trading days on the TSX Venture Exchange, the Company shall be entitled to give notice to the holders of warrants that the warrants will expire 21 days after the date of such notice unless exercised before the expiry of that period.

A finder's fee of \$7,700 cash have been paid, 15,400 agent warrants have been issued and 400,000 common shares will be issued in connection to the private placement. Each agent warrant is exercisable to purchase one common share at \$0.50 per share expiring May 10, 2012; provided that at any time the Company's shares have a closing price higher than \$1.10 per share for a period of 20 consecutive trading days on the TSX Venture Exchange, the Company shall be entitled to give notice to the holders of warrants that the warrants will expire 21 days after the date of such notice unless exercised before the expiry of that period.

All of the proceeds from the above private placements were allocated to share capital with none allocated to warrants.

During the year ended September 30, 2009, the Company issued 44,819,000 common shares pursuant to the following non-brokered private placement:

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Note 8 b) Issued: – (cont'd)

44,819,000 units at \$0.057 (US\$0.05) per unit for total proceeds of \$2,570,294 (US\$2,240,950). 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\$0.10 per share until August 13, 2010. Finders' fees relating to this offering were 2,000,000 common shares valued at \$108,820 (US\$100,000) and cash of \$9,794 (US\$9,000).

All of the proceeds from the above private placement were allocated to share capital with none allocated to warrants.

During the year ended September 30, 2009, the Company reached an agreement to settle convertible debt of \$632,580 (US\$600,000) through the issuance of 12,000,000 units at the fair value of US\$0.05 per unit. Each unit consists of one common share of the Company and one share purchase warrant exercisable at US\$0.10 per share to purchase an additional share of the Company until October 19, 2010. The equity component \$195,918 (US\$185,828) was reclassified from contributed surplus to share capital. Refer to Note 7.

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, 2010, the Company had a balance of 187,500 in escrow shares.

d) Directors' and Employees' Stock Options Outstanding:

i) The Company has a stock option plan whereby, the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. Options vest at the date of grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option.

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Note 8 d) Directors' and Employees' Stock Options Outstanding: – (cont'd)

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

	June 30 2010	Weighted Average Exercise Price \$	Sept. 30 2009	Weighted Average Exercise Price \$
Balance outstanding - beginning of period	11,150,000	0.20	15,950,000	0.18
Activity during year: Consolidation 10:1	<u>(10,035,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	1,115,000	1.96	15,950,000	0.18
Options granted	1,735,000	0.93	-	-
Options cancelled/expired	<u>(350,000)</u>	<u>1.39</u>	<u>(4,800,000)</u>	<u>0.15</u>
Balance outstanding - end of period	<u><u>2,500,000</u></u>	<u><u>1.33</u></u>	<u><u>11,150,000</u></u>	<u><u>0.20</u></u>

iii) Details of stock options outstanding at June 30 2010:

Number of Shares	Option Price	Expiry Date
30,000	\$4.550	September 13, 2011
370,000	\$2.70	January 4, 2012
30,000	\$2.70	January 9, 2012
100,000	\$0.60	January 19, 2012
135,000	\$1.80	January 8, 2013
200,000	\$1.20	May 29, 2013
200,000	\$0.60	January 19, 2015
1,435,000	\$1.00	January 19, 2015
<u>2,500,000</u>		

As at June 30 2010, the contractual weighted average remaining life is 3.66 years (2009 – 2.30 years).

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Note 8 Share Capital – (cont'd)

e) Share Purchase Warrants Outstanding:

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

Warrants with exercise price in US\$:

	June 30, 2010	Weighted Average Exercise Price US\$	September 30, 2009	Weighted Average Exercise Price US\$
Balance outstanding - beginning of period	81,402,283	0.19	55,099,633	0.27
Activity during year:				
Consolidation 10:1	<u>(73,262,055)</u>	-	-	-
	8,140,228	1.90	55,099,633	0.27
Warrants issued	1,100,000	1.00	44,819,000	0.10
Warrants expired	(3,658,328)	3.00	(18,516,350)	0.22
Warrants amended (1)	(1,100,000)	1.00	-	-
Balance outstanding - end of period	<u>4,481,900</u>	<u>1.00</u>	<u>81,402,283</u>	<u>0.19</u>

Warrants with exercise price in CAD\$:

	June 30, 2010	Weighted Average Exercise Price CAD\$	September 30, 2009	Weighted Average Exercise Price CAD\$
Balance outstanding - beginning of period	-	-	-	-
Activity during year:				
Warrants issued	5,863,400	0.75	-	-
Warrants amended (1)	1,100,000	0.75	-	-
Balance outstanding - end of period	<u>6,963,400</u>	<u>0.75</u>	<u>-</u>	<u>-</u>

(1) Warrants originally exercisable at a unit price of US\$1.00 expiring Dec. 4, 2010 have been amended to a unit exercise price of CAD\$0.75 expiring Dec. 4, 2011.

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Note 8 e) Share Purchase Warrants Outstanding: – (cont'd)

ii) Details of share purchase warrants outstanding at June 30, 2010:

Number of shares	US Exercise Price \$	Expiry Date	
4,481,900	1.00	August 13, 2010	(1)
4,481,900	1.00		

As at June 30, 2010, the weighted average remaining contractual life of warrants exercisable in US\$ is 0.12 year (2009: .26 year).

(1) Subsequent to the reporting period, expiry date was extended from August 13, 2010 to August 13, 2012

Number of shares	CAD Exercise Price \$	Expiry Date
1,100,000	0.75	December 04, 2011
1,160,000	0.75	December 24, 2011
50,000	0.50	December 24, 2011
4,638,000	0.75	May 10, 2012
15,400	0.50	May 10, 2012
6,963,400	0.75	

As at June 30, 2010, the weighted average remaining contractual life of warrants exercisable in CAD\$ is 1.48 years (2009: N/A).

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.

Note 8 Share Capital – (cont'd)

g) Stock-based Compensation

The Company recorded stock-based compensation during the period ended June 30, 2010 of \$811,191 (2009: Nil). The fair value of stock options granted was estimated using the Black-Scholes option valuation model with the following assumptions; risk-free interest rate 1.89% - 3.44%; expected dividend yield – Nil; expected stock price volatility 142.99% - 198.59%; and expected option life of 2.0 – 5.0 years

During the 2009 fiscal year, no options were granted and as a result \$nil stock-based compensation was recorded.

The Company recorded stock-based compensation during the year ended September 30, 2009 of \$nil (2008: \$419,245). 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%; expected dividend yield – Nil; expected stock price volatility 31.56% - 85.78%; and expected option life of 2.5 – 5.0 years.

h) Subscriptions Receivable:

During the period ended June 30, 2010, the Company received \$120,438 (US\$104,750 and CAD\$7,500) of subscriptions receivable and issued shares for which \$72,500 were receivable at the end of the period. During the period ended June 30, 2009, \$163,240 (US\$154,000) in subscriptions receivable were nullified which were included in the 2008 private placement of 33,057,700 shares. The corresponding 1,540,000 share certificates were cancelled and returned to treasury due to non-payment.

i) Contributed Surplus:

Continuity of contributed surplus is as follows:

	<u>\$</u>
Balance - September 30, 2008	3,088,439
Convertible debenture exercised	264,082
Balance - September 30, 2009	<u>3,352,521</u>
Agent's warrants issued	16,447
Stock-based compensation	811,191
Balance – June 30, 2010	<u><u>4,180,159</u></u>

Note 9 Segmented Information

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

Assets	June 30,	
	2010	2009
Canada	\$	\$
Assets other than mineral property interests	913,238	1,897,080
Colombia		
Deferred costs	61,415	-
Bolivia		
Assets other than mineral property interests	897,365	48,517
Mineral property interests	44,842,018	44,426,042
Total Assets	46,714,036	46,371,639

Note 10 Subsequent Events

In addition to information disclosed elsewhere in these notes, the following occurred during the period subsequent to June 30, 2010:

- The exercise term for 4,481,900 warrants each exercisable to purchase one common share of the Company at US\$1.00 expiring August 13, 2010 have been extended to August 13, 2012.
- The Company signed a definitive agreement (“Agreement”) with Bullet Holding Corp. (“Bullet”) to purchase up to a 75% interest in the mineral title of the 15,000 hectare Fredonia Area located in Antioquia, Colombia.

The terms of the Agreement are as follows:

- Within five days after approval by the Exchange, Eaglecrest will issue to Bullet:
 - 1,000,000 common shares without nominal or par value in the capital of Eaglecrest, at the deemed price of CAD\$0.32 per share
 - warrants at the deemed price of US\$0.001 each, entitling Bullet to purchase up to an aggregate of 1,000,000 common shares without par value in the capital of Eaglecrest at a price per Warrant Share of CAD\$0.40 – the warrants are valid at any time until 4:30 p.m. PST two years from the Signature Date
- Over three-year term of the agreement, Eaglecrest will make total cash payments to bullet of US\$110,000

Note 10 Subsequent Events – (cont'd)

- Over the three-year term of the agreement, Eaglecrest is required to spend US\$2,800,000 in exploration of the area, including annual tax payments to keep the mineral titles in good standing
 - Within six (6) months of the Signature Date, Eaglecrest will have spent at least US\$100,000 in expenditures on Fredonia for 12.5% interest
 - At the end of twelve (12) months from the Signature Date, Eaglecrest will have spent an additional US\$1,000,000 in expenditures, or US\$1,100,000 in aggregate for additional 12.5% interest or 25% total ownership
 - At the end of twenty-four (24) months from the Signature Date, Eaglecrest will have spent an additional US\$1,100,000 in expenditures, or US\$2,200,000 in aggregate for additional 25% interest or 50% total ownership
 - At the end of thirty six (36) months after the Signature Date, Eaglecrest will have spent an additional US\$600,000 in expenditures, or US\$2,800,000 in aggregate
- Eaglecrest can earn an additional 25% interest (to 75% total ownership) by making the expenditures described above within thirty-six (36) months, and by taking selected targets to feasibility over the following five-year period, or by the eighth (8th) year from the Signature Date
- Bullet will maintain its 25% Free Carried Interest until the 3rd Anniversary after signing the Definitive Agreement, or until a Feasibility Study is completed by Eaglecrest, whichever occurs first
- At this point, Bullet shall have the following options:
 - Continue in the project by providing twenty-five percent (25%) of the funds going forward, or
 - Be subject to an industry-standard dilution formula
- If either party is diluted to ten percent (10%) ownership or less, they will have the right to convert the interest into a two and a half percent (2.5%) Net Smelter Return
- At any time either party will have the right to sell their interest in the project for a fair market value per equivalent ounce as determined by an independent evaluation

This agreement is subject to acceptance by the TSX Venture Exchange. Any shares issued pursuant to the agreement will be subject to a four-month hold period.