EAGLECREST EXPLORATIONS LTD.

Consolidated Financial Statements

September 30, 2009 and 2008

BDO Canada LLP
Chartered Accountants

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Auditors' Report

To the Shareholders of
Eaglecrest Explorations Ltd.

We have audited the consolidated balance sheets of Eaglecrest Explorations Ltd. (the "Company") as at September 30, 2009 and 2008 and the consolidated statements of operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Vancouver, British Columbia
January 26, 2010

EAGLECREST EXPLORATIONS LTD.
CONSOLIDATED BALANCE SHEETS
September 30, 2009 and 2008

	2009	2008
Assets	$	$
Current		
Cash	655,721	765,445
Receivables	30,123	204,953
Prepaid expenses and deposits	35,136	51,736
	720,980	1,022,134
Property, plant and equipment (note 3)	38,998	143,033
Resource properties (schedule 1 and note 4)	44,918,869	42,968,028
	45,678,847	44,133,195
Liabilities		
Current		
Accounts payable and accrued liabilities (note 6)	483,547	791,380
Convertible debenture (note 5)	-	535,131
	483,547	1,326,511
Asset retirement obligation - Note 2	80,000	80,000
	563,547	1,406,511
Shareholders' Equity		
Share capital (note 7(b))	67,689,035	63,779,147
Share subscriptions (note 7(f))	1,156,000	1,156,000
Share subscriptions receivable (note 7 (h))	(276,178)	(558,885)
Contributed surplus (note 7(i))	3,352,521	3,088,439
Deficit	(26,806,078)	(24,738,017)
	45,115,300	42,726,684
	45,678,847	44,133,195

Nature of Operations and Ability to Continue as a Going Concern – Note 1
Commitments – Notes 4, 5, 7 and 12
Subsequent Events – Notes 4, 7 and 11

APPROVED BY THE BOARD OF DIRECTORS:

"Paul Zdebiak"	Director	*"Hans Rasmussen"*	Director
Paul Zdebiak		Hans Rasmussen	

SEE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EAGLECREST EXPLORATIONS LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
for the years ended September 30, 2009 and 2008

	2009	2008
	$	$
Expenses:		
Accounting and audit	47,343	69,676
Administration (note 6)	120,000	112,500
Advertising	-	10,200
Amortization	6,936	7,011
Bank charges and interest	2,513	10,974
Consulting	136,437	251,152
Corporate development (note 6)	188,551	473,433
Filing fees	27,162	84,118
Foreign exchange loss (gain)	(15,660)	(8,992)
Insurance	44,787	51,490
Interest on convertible debenture (note 5)	117,320	128,580
Legal (note 6)	32,005	48,609
Management fees (note 6)	212,069	182,437
Office and printing	80,758	86,486
Shareholders information	10,081	38,543
Stock-based compensation (note 7)	-	419,245
Transfer agent	11,651	16,640
Travel and promotion	105,595	262,593
Total expenses	(1,127,548)	(2,244,695)
Other items:		
General exploration costs	-	(51,366)
Write-off property, plant and equipment	(703)	(4,202)
Debt settlement expense (note 5)	(478,704)	-
Interest income	346	16,700
Net loss and comprehensive loss for the year	(1,606,609)	(2,283,563)
Settlement of convertible debt (note 5)	(461,452)	-
Deficit - beginning of year	(24,738,017)	(22,454,454)
Deficit - end of year	(26,806,078)	(24,738,017)
Basic and diluted loss per common share	($0.04)	($0.07)
Weighted-average number of post-consolidated common shares outstanding (note 11)	38,223,420	33,772,379

EAGLECREST EXPLORATIONS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended September 30, 2009 and 2008

	2009	2008
	$	$
Operating activities		
Net loss for the year	(1,606,609)	(2,283,563)
Items not affecting cash:		
Accretion of convertible debenture	73,051	128,581
Amortization	6,936	7,011
Write-off of equipment	703	4,202
Debt settlement expense	478,704	-
Foreign exchange adjustments	74,833	79,929
Stock-based compensation	-	419,245
	(972,382)	(1,644,595)
Net change in non-cash working capital items:		
Receivables	180,065	(99,497)
Prepaid expenses and deposits	16,783	25,887
Accounts payable and accrued liabilities	(321,386)	(1,672,602)
	(1,096,920)	(3,390,807)
Financing activities		
Loan	-	(600,000)
Shares subscriptions	269,754	-
Cash received for capital stock issued (net)	2,560,500	6,570,025
	2,830,254	5,970,025
Investing activities		
Property, plant and equipment expenditures	(2,914)	(22,150)
Deposit	-	250,000
Resource property expenditures (net of recovery)	(1,840,144)	(2,905,781)
	(1,843,058)	(2,667,931)
Increase (decrease) in cash	(109,724)	(98,713)
Cash - beginning of year	765,445	864,158
Cash - end of year	655,721	765,445
Supplementary disclosure of cash flow information		
Cash paid for:		
Interest	97,979	27,066
Income taxes	-	-

Non–cash Transactions – Note 10

EAGLECREST EXPLORATIONS LTD.
CONSOLIDATED SCHEDULE OF RESOURCE PROPERTY COSTS
for the years ended September 30, 2009 and 2008

Bolivia	September 30, 2007 $	Additions During the Year $	September 30, 2008 $	Additions During the Year $	September 30, 2009 $
San Simon Zone					
Acquisition costs	2,596,665	20,225	2,616,890	44,045	2,660,935
Admin and office	217,570	56,276	273,846	68,000	341,846
Assays	466,746	5,479	472,225	30,910	503,135
Camp costs	1,796,707	51,928	1,848,635	124,276	1,972,911
Consulting fees	2,239,790	108,268	2,348,058	259,052	2,607,110
Drilling	1,501,060	-	1,501,060	-	1,501,060
Mapping	120,058	2,342	122,400	-	122,400
Equipment rental	1,150,002	23,622	1,173,624	41,626	1,215,250
Environmental	1,848	10,109	11,957	9,673	21,630
Field costs	720,195	18,124	738,319	-	738,319
Geophysical & surveys	171,867	17,741	189,608	3,918	193,526
Professional fees	217,391	-	217,391	-	217,391
Sampling and analysis	132,529	-	132,529	-	132,529
Wages	704,859	45,910	750,769	279,272	1,030,041
Travel/transportation	504,439	17,349	521,788	59,774	581,562
Underground development	2,420,241	-	2,420,241	-	2,420,241
Vehicle maintenance	393,251	-	393,251	-	393,251
	15,355,218	377,373	15,732,591	920,546	16,653,137
Dona Amelia Zone					
Acquisition costs	134,952	21,190	156,142	21,146	177,288
Admin and office	924,254	129,370	1,053,624	76,571	1,130,195
Amortization	716,628	193,707	910,335	99,310	1,009,645
Assays	802,525	168,208	970,733	25,687	996,420
Camp costs	1,124,551	211,505	1,336,056	101,874	1,437,930
Consulting fees	2,397,021	336,521	2,733,542	114,471	2,848,013
Drilling	7,721,502	1,378,966	9,100,468	1,296	9,101,764
Environmental	201,605	107,610	309,215	16,336	325,551
Mapping	22,721	43,398	66,119	441	66,560
Equipment rental	1,028,668	154,275	1,182,943	38,146	1,221,089
Field costs	2,084,560	91,802	2,176,362	-	2,176,362
Geophysical & surveys	25,471	52,079	77,550	4,603	82,153
Supplies	146,355	12,994	159,349	-	159,349
Travel/transportation	673,747	114,617	788,364	37,579	825,943
Underground development	3,375,290	386,631	3,761,921	-	3,761,921
Wages	2,125,787	500,539	2,626,326	168,650	2,794,976
Recovery - gold concentrates	(471,864)	(545,140)	(1,017,004)	13,192	(1,003,812)
	23,033,773	3,358,272	26,392,045	719,302	27,111,347

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EAGLECREST EXPLORATIONS LTD.
CONSOLIDATED SCHEDULE OF RESOURCE PROPERTY COSTS
for the years ended September 30, 2009 and 2008

	September 30, 2007 $	Additions During the Year $	September 30, 2008 $	Additions During the Year $	September 30, 2009 $
Marco Maria Zone					
Acquisition costs	290,378	33,582	323,960	32,557	356,517
Admin and office	-	13,033	13,033	11,763	24,796
Camp costs	-	7,476	7,476	8,505	15,981
Consulting	-	11,159	11,159	11,892	23,051
Equipment rental	-	7,131	7,131	1,991	9,122
Professional fees	10,701	-	10,701	-	10,701
Field costs	-	1,723	1,723	174	1,897
Travel/transportation	-	1,367	1,367	2,733	4,100
Wages	-	-	-	27,769	27,769
	301,079	75,471	376,550	97,384	473,934
Dona Angela (Campo Nuevo) Zone					
Acquisition costs	183,142	37,355	220,497	49,528	270,025
Admin and office	987	29,056	30,043	18,451	48,494
Assays	9,066	4,664	13,730	6,141	19,871
Camp costs	1,573	50,320	51,893	21,914	73,807
Consulting	799	34,751	35,550	26,154	61,704
Equipment rental	-	40,274	40,274	11,943	52,217
Environmental	-	632	632	-	632
Field costs	9,422	18,130	27,552	688	28,240
Mapping	-	2,777	2,777	-	2,777
Professional fees	3,147	-	3,147	-	3,147
Travel/transportation	1,130	11,050	12,180	11,938	24,118
Wages	4,165	24,402	28,567	66,852	95,419
	213,431	253,411	466,842	213,609	680,451
Total	38,903,501	4,064,527	42,968,028	1,950,841	44,918,869

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 September 30, 2009, the Company had not yet achieved profitable operations, has accumulated losses of $26,806,078 since its inception, has working capital of $237,433 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:

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

Principles of Consolidation – (cont'd)

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

Resource Properties

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

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

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.

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

Resource Properties – (cont'd)

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. The Company has also constructed a rock crusher plant and recovery mill that are recorded at cost and amortized on a straight-line basis over five years.

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

Foreign Currency Translation

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

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

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

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.

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

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 years ended September 30, 2009 and 2008, potentially dilutive common shares (relating to options and warrants outstanding at year-end) totaling 92,552,283 (2008: 71,049,633) were not included in the computation of loss per share because their effect was anti-dilutive.

Future Income Taxes

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

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

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 September 30, 2009, the Company has recorded $80,000 (2008: $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 September 30, 2009 and 2008.

Environmental Expenditures

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

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

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

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 September 30, 2009.

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 September 30, 2009, 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.

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

Adoption of New Accounting Standards – (cont'd)

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.

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.

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

Recent Released Canadian Accounting Standards

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.

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.

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

Recent Released Canadian Accounting Standards – (cont'd)

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

	2009		
	Cost	Accumulated Amortization	Net Book Value
Office Equipment	$ 105,182	$ 79,220	$ 25,962
Field Equipment	40,964	39,436	1,528
Automotive	86,265	74,757	11,508
Recovery Mill	872,863	872,863	-
	$ 1,105,274	$ 1,066,276	$ 38,998

	2008		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	$ 105,714	$ 72,303	$ 33,411
Field equipment	40,964	38,781	2,183
Automotive	86,265	69,825	16,440
Recovery mill	872,863	781,864	90,999
	$ 1,105,806	$ 962,773	$ 143,033

Note 4 Resource Properties

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

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 4 Resource Properties – (cont'd)

San Simon and Dona Amelia Zones – (cont'd)

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. As a result, US $25,000 was not paid and 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.

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$60,000 have been paid to date and the next payment of US$10,000 is due October, 2009 (paid subsequently).

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.

Note 5 Convertible Debenture

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

	Conversion Option
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 has been made to satisfy the accrued interest up to the date of the agreed settlement.

Over the term of the loan, 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 6 Related Party Transactions

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

During the year ended September 30, 2009:

- A director of the Company was paid or accrued $158,226 (2008: $145,849) for corporate development fees and one officer of the Company was paid or accrued $120,000 (2008: $112,500) for accounting and administration services. At September 30, 2009, the related parties were owed $38,027 (2008: $3,371) 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 $212,069 (2008: $182,437) in management fees. At September 30, 2009, the related party was owed $24,125 (2008: $5,239) 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 $32,005 (2008: $48,609) for legal services. At September 30, 2009, this related party was owed $Nil (2008: $42,352) 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 $44,040 (2008: $239,541) for geological consulting services. At September 30, 2009, the related parties were owed $Nil (2008: $25,089) for the unpaid portion of the amount, which is included in accounts payable.

As at September 30, 2009, accounts payable are inclusive of $62,152 (2008: $76,051) due to related parties.

Note 7 Share Capital

a) Authorized:

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

Note 7 Share Capital – (cont'd)

b) Issued:

	September 30, 2009			September 30, 2008		
	Number of Shares	$		Number of Shares	$	
Issued - beginning of period	374,993,034	63,779,147		304,382,821	55,887,682	
Activities during year:						
Private placements	44,819,000	2,570,294		69,840,983	8,094,588	
Shares issued for finder's fees	2,000,000	108,820		19,230	2,500	
Settlement of debt	12,000,000	1,349,388		-	-	
Exercise of options	-	-		500,000	75,000	
Exercise of option compensation	-	-		-	46,350	
Exercise of warrants	-	-		250,000	38,000	
Issue costs	-	(118,614)	(1)	-	(364,973)	(2)
Issued - end of year	433,812,034	67,689,035		374,993,034	63,779,147	

(1) $9,794 in cash was paid or accrued and 2,000,000 common shares valued at $108,820 were issued as finders' fees.

(2) $362,473 in cash was paid or accrued and 19,230 common shares valued at $2,500 were issued as finder's fee

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

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.

Note 7 Share Capital – (cont'd)

b) Issued: – (cont'd)

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 5.

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

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

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

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

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 September 30, 2009, the Company had a balance of 187,500 in escrow shares.

Note 7 Share Capital – (cont'd)

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.

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

	September 30, 2009	Weighted Average Exercise Price $	September 30, 2008	Weighted Average Exercise Price $
Balance outstanding - beginning of year	15,950,000	0.18	17,600,000	0.19
Activity during year:				
Options granted	-	-	5,750,000	0.14
Options expired	(4,800,000)	0.11	(6,900,000)	0.17
Options exercised	-	-	(500,000)	0.15
Balance outstanding end of year	11,150,000	0.20	15,950,000	0.18

Note 7 Share Capital – (cont'd)

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

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

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

* These options expired unexercised subsequent to year end.

As at September 30, 2009, the contractual weighted average remaining life is 2.05 years (2008 – 2.36 years).

Note 7 Share Capital – (cont'd)

e) Share Purchase Warrants Outstanding:

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

	September 30, 2009	Weighted Average Exercise Price US$	September 30, 2008	Weighted Average Exercise Price US$
Balance outstanding - beginning of year	55,099,633	0.27	16,848,375	0.18
Activity during year:				
Warrants issued	44,819,000	0.10	53,312,133	0.39
Warrants exercised	-	-	(250,000)	0.27
Warrants expired	(18,516,350)	0.22	(14,810,875)	0.16
Balance outstanding - end of year	81,402,283	0.19	55,099,633	0.27

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

Number of shares	US Exercise price $	Expiry date
36,583,283	0.30	Nov 14, 2009*
44,819,000	0.10	Aug 13, 2010
81,402,283	0.19	

* These warrants expired unexercised subsequent to year end.

As at September 30, 2009, the weighted average remaining contractual life is 0.53 years (2008: 1.07 years).

f) Share Subscriptions:

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

Note 7 Share Capital – (cont'd)

f) Share Subscriptions: – (cont'd)

- 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.

g) Stock-based Compensation:

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 year ended September 30, 2009, the Company received $317,017 (US$300,500) of subscriptions receivable and issued shares for which $34,310 (US$32,000) is receivable at year-end. Subsequent to September 30, 2009, the Company received $112,313 (US$104,750) and nullified $165,119 (US$154,000) in subscriptions receivable which were included in the 2008 private placement of 33,057,700 shares. The corresponding 1,540,000 share certificates were subsequently cancelled and returned to treasury due to non-payment.

Note 7 Share Capital – (cont'd)

i) Contributed Surplus:

Continuity of contributed surplus is as follows:

	$
Balance - September 30, 2007	2,715,544
Options exercised	(46,350)
Stock-based compensation	419,245
Balance - September 30, 2008	3,088,439
Convertible debenture exercised	264,082
Balance - September 30, 2009	3,352,521

Note 8 Income Taxes

A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2009	2008
Basic statuary and provincial income tax rate	30.13%	31.91%
Expected income tax recovery on net loss, before income tax	$ 484,000	$ 729,000
Foreign income taxed at other than Canadian rate	-	3,000
Differences due to recognition of items for tax purposes:		
Effect of reduction in statutory rate	(142,000)	(727,000)
Expiry of loss carryforward	(78,000)	(173,000)
Share issue cost	30,000	91,000
Increase in valuation allowance	(101,000)	239,000
Permanent difference	(193,000)	(162,000)
Income tax recovery	$ -	$ -

Note 8 Income Taxes – (cont'd)

The significant components of the Company's future income tax assets and liabilities are as follows:

	2009	2008
Future income tax assets:		
Non-capital losses carried forward	$ 2,175,000	$ 2,054,000
Capital losses carried forward	105,000	109,000
Undeducted financing cost	95,000	108,000
Exploration and development expenses	10,000	52,000
Capital assets	129,000	91,000
Less: valuation allowance	(2,514,000)	(2,414,000)
Net future income tax assets	$ -	$ -

The Company has recorded a valuation allowance against its future income tax assets based on the extent to which it is more likely-than-not that sufficient taxable income will be realized during the carry-forward period to utilize all the future tax assets.

As at September 30, 2009, the Company had accumulated non-capital losses totaling $8,701,000 that are available to offset future years' taxable income. The non-capital losses expire as follows:

2010	$ 336,000
2014	1,203,000
2015	1,177,000
2026	1,342,000
2027	1,699,000
2028	1,826,000
2029	1,118,000
	$ 8,701,000

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	September 30, 2009	2008
Canada		
Assets other than mineral property interests	$ 549,139	$ 962,265
Bolivia		
Assets other than mineral property interests	210,839	202,902
Mineral property interests	44,918,869	42,968,028
Total Assets	$ 45,678,847	$ 44,133,195

Note 10 Non-cash Transactions

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows.

During the year ended September 30, 2009:

- Equipment amortization of $99,310 (2008: $193,707) was included in resource property costs.
- The Company issued 2,000,000 common shares (2008: 19,230) valued at $108,820 (2008: $2,500) as a finder's fee.
- The Company entered into an agreement to settle a $632,500 (US$600,000) loan by agreeing to issue 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.

These transactions were excluded from the statements of cash flows.

Note 11 Subsequent Events

In addition to information disclosed elsewhere in these notes, the following occurred during the period subsequent to September 30, 2009:

i) On December 10, 2009, the Company consolidated its issued common shares on a 10:1 basis. The consolidation resulted in the weighted average number of post consolidated shares outstanding to be reduced to 38,223,420. The 2008 comparative figure has been restated to reflect this consolidation.

ii) The Company issued 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.

iii) On December 16, 2009, the Company entered into a service agreement with an investor relations company to receive market-making services. The agreement is for twelve months. The Company agreed to pay $7,500 per month and grant 100,000 options each exercisable into one post-consolidated common share of the Company for $0.60 until December 15, 2011.

Note 11 Subsequent Events – (cont'd)

iv) The Company issued 1,160,000 post-consolidation units pursuant to a non-brokered private placement at a unit price of $0.50 raising a total of $580,000. 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.

v) 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. 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	12.5%
During 24 months after the Signature Date	1,100,000	-	-	25.0%
During 36 months after the Signature Date	600,000	-	-	25.0%
Total	$ 2,800,000		$ 120,000	75.0%

* 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.

** 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.

Note 11 Subsequent Events – (cont'd)

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 outstanding 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 development 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 a standard dilution formulae to a 2.5% net smelter royalty.

The agreement is subject to approval by the regulatory authorities.

Note 12 Commitment

The Company is required to pay US$225,000 for management fees to a private company owned by a director of the Company as follows:

2010	US$180,000
2011	US$ 45,000
	US$225,000

Note 13 Comparative Figures

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.