

EAGLECREST EXPLORATIONS LTD.

Consolidated Financial Statements

For the Three Months ended December 31, 2004

(Un-audited – Prepared by Management)



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(TSXV: Symbol EEL)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, Eaglecrest Explorations Ltd. (the "Company") discloses that the accompanying un-audited interim consolidated financial statements for the three months ended, December 31, 2004, were prepared by management.

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

EAGLECREST EXPLORATIONS LTD.
Consolidated Balance Sheets
As at December 31, 2004 and September 30, 2004

	December 31 (Un-audited)	September 30 (Audited)
Assets	\$	\$
Current		
Cash and cash equivalents	178,184	1,172,800
Accounts receivable and prepaids	123,926	116,538
	302,110	1,289,338
Resource properties (Schedule) (note 4)	22,147,574	21,243,257
Property, plant and equipment (note 3)	761,096	755,111
	23,210,780	23,287,706
 Liabilities		
Current		
Accounts payable and accrued liabilities	544,274	745,632
 Shareholders' Equity		
Share capital (note 6)	36,903,461	36,903,461
Share subscriptions (note 6)	1,849,650	1,540,886
Contributed surplus (note 6)	1,270,376	998,351
Deficit	(17,356,981)	(16,900,624)
	22,666,506	22,542,074
	23,210,780	23,287,706

Nature of Operations and Going Concern (Note 1)

Approved by the Board of Directors:

"Paul Zdebiak"
Paul Zdebiak

"Carl Erickson"
Carl Erickson

EAGLECREST EXPLORATIONS LTD.
Consolidated Statements of Operations and Deficit
For the Three Months Ended December 31, 2004 and 2003
(Un-audited – Prepared by Management)

	2004	2003
	\$	\$
Expenses		
Accounting and audit	3,000	2,500
Administration	15,000	11,000
Amortization	803	8,300
Bank charges and interest	785	32,865
Filing fees	6,801	15,767
Foreign exchange loss (gain)	15,206	(7,351)
Insurance	11,136	-
Investor relations	47,854	34,624
Legal	11,581	5,773
Management fees	36,621	-
Office and printing	14,700	16,110
Shareholder information	1,637	2,893
Stock –based compensation (note 6)	272,025	130,950
Transfer agent	239	1,442
Travel and promotion	18,969	7,120
	<hr/>	<hr/>
Net loss for the period	(456,357)	(261,993)
Deficit – beginning of period	(16,900,624)	(14,855,656)
Deficit – end of period	<hr/> <hr/>	<hr/> <hr/>
	\$ (0.00)	\$ (0.00)
Loss per common share	<hr/> <hr/>	<hr/> <hr/>
Weighted-average number of common shares outstanding	<hr/> <hr/>	<hr/> <hr/>

See notes to the consolidated financial statements

EAGLECREST EXPLORATIONS LTD.
Consolidated Statements of Cash Flows
For the Three Months Ended December 31, 2004 and 2003

	2004	2003
	\$	\$
Cash provided by (used in):		
Operating activities		
Net loss for the year	(456,357)	(261,993)
Items not affecting cash:		
Amortization	802	8,300
Stock-based compensation	272,025	130,950
	(183,530)	(122,743)
Net change in non-cash working capital items:		
Accounts receivable and prepaids	(7,388)	(10,460)
Accounts payable and accrued liabilities	(201,358)	375,689
	(392,276)	242,486
Financing activities		
Cash received for capital stock issued	-	534,940
Cash received for share subscriptions	308,764	-
	308,764	534,940
Investing activities		
Resource property expenditures	(860,936)	(666,223)
Purchase of plant and equipment	(50,168)	-
	(911,104)	(666,223)
Increase (decrease) in cash and cash equivalents during the period	(994,616)	111,203
Cash and cash equivalents - beginning of period	1,172,800	101,948
Cash and cash equivalents - end of period	178,184	213,151

Supplemental disclosure of non-cash financing and investing activities:

During the period ended December 31, 2003, 265,000 common shares were issued at \$0.13 for finders' fees.

EAGLECREST EXPLORATIONS LTD.
Consolidated Schedule of Mineral Property Costs

	September 30, 2003	Additions during the year	September 30, 2004	Additions during the period	December 31, 2004
Bolivia					
San Simon Zone					
Acquisition costs	2,197,379	198,464	2,395,843	-	2,395,843
Administration	193,576	-	193,576	-	193,576
Assays	398,745	-	398,745	-	398,745
Camp costs	1,768,017	-	1,768,017	-	1,768,017
Consulting fees	2,185,445	-	2,185,445	-	2,185,445
Drilling	1,501,060	-	1,501,060	-	1,501,060
Mapping	120,058	-	120,058	-	120,058
Equipment rental	1,150,002	-	1,150,002	-	1,150,002
Field costs	625,183	-	625,183	-	625,183
Geophysical surveys	171,867	-	171,867	-	171,867
Professional fees	217,391	-	217,391	-	217,391
Sampling and analysis	132,529	-	132,529	-	132,529
Wages	589,341	-	589,341	-	589,341
Travel	482,661	-	482,661	-	482,661
Underground development	2,420,241	-	2,420,241	-	2,420,241
Vehicle maintenance	393,251	-	393,251	-	393,251
	<u>14,546,746</u>	<u>198,464</u>	<u>14,745,210</u>	<u>-</u>	<u>14,745,210</u>
Dona Amelia Zone					
Acquisition	52,210	26,000	78,210	12,266	90,476
Admin and office	14,827	234,969	249,796	63,184	312,980
Amortization	-	109,895	109,895	43,381	153,276
Assays	-	280,709	280,709	56,615	337,324
Camp costs	204,880	88,446	293,326	5,882	299,208
Consulting	179,237	540,686	719,923	143,282	863,205
Drilling	346,275	2,411,025	2,757,300	193,728	2,951,028
Mapping	3,285	9,521	12,806	-	12,806
Equipment rental	34,928	278,029	312,957	48,959	361,916
Field costs	9,194	612,436	621,630	140,553	762,183
Geophysical	12,894	-	12,894	-	12,894
Travel	8,886	163,275	172,161	32,621	204,782
Wages	89,953	401,796	491,749	151,580	643,329
	<u>956,569</u>	<u>5,156,787</u>	<u>6,113,356</u>	<u>892,051</u>	<u>7,005,407</u>

EAGLECREST EXPLORATIONS LTD.
Consolidated Schedule of Mineral Property Costs

	September 30, 2003	Additions during the year	September 30, 2004	Additions during the Period	December 31, 2004
Marco Maria Zone					
Acquisition	239,058	-	239,058	-	239,058
Professional	10,701	-	10,701	-	10,701
	<u>249,759</u>	<u>-</u>	<u>249,759</u>	<u>-</u>	<u>249,759</u>
Dona Angela (Campo Nuevo) Zone					
Acquisition	83,035	48,750	131,785	12,266	144,051
Professional	3,147	-	3,147	-	3,147
	<u>86,182</u>	<u>48,750</u>	<u>134,932</u>	<u>12,266</u>	<u>147,198</u>
Total	<u><u>15,839,256</u></u>	<u><u>5,404,001</u></u>	<u><u>21,243,257</u></u>	<u><u>904,317</u></u>	<u><u>22,147,574</u></u>

EAGLECREST EXPLORATIONS LTD.
Notes to the Consolidated Financial Statements
For the Three Months Ended December 31, 2004 and 2003

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company is incorporated in British Columbia and is currently involved in the acquisition, exploration and development of resource properties located in Itenez Province, Bolivia. At the date of these consolidated financial statements, the Company does not have a known body of commercial grade ore on any of its properties, and the ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company being able to sell the properties or to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the properties.

During the current period the Company experienced an operating loss of \$456,357 (2003 - \$261,993) and at December 31, 2004 has a cumulative operating deficit of \$17,356,981. The Company will require significant additional funding to alleviate its working capital deficiency and meet its planned resource expenditures in fiscal 2005. Although the Company has been successful in raising funds to date, there can be no assurance that additional funding will be available in the future. Management is actively pursuing such additional sources of financing, however, in the event that additional funding cannot be obtained, there is substantial doubt about the ability of the Company to continue as a going concern.

The consolidated financial statements have been prepared assuming the Company will be able to realize its assets and discharge its liabilities in the normal course of business as a going concern. In the event the Company is not able to obtain adequate funding, there is uncertainty as to whether the Company will be able to maintain or complete the acquisition of its mineral property interests. The consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to achieve profitable mining operations or obtain adequate financing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiary located in Bolivia.

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.

EAGLECREST EXPLORATIONS LTD.
Notes to the Consolidated Financial Statements
For the Three Months Ended December 31, 2004 and 2003

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

Resource Properties *(continued)*

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

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

EAGLECREST EXPLORATIONS LTD.
Notes to the Consolidated Financial Statements
For the Three Months Ended December 31, 2004 and 2003

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

Foreign Currency Translation

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.

Cash Equivalents

Cash equivalents consist of any highly liquid investments that are readily convertible to known amounts of cash and that generally have maturity dates of three months or less.

Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an item-by-item basis.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments

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

Share Issue Costs

Costs incurred for the issue of common shares are deducted from share capital or the balance of share subscriptions prior to the issuance of the shares.

EAGLECREST EXPLORATIONS LTD.
Notes to the Consolidated Financial Statements
For the Three Months Ended December 31, 2004 and 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock-Based Compensation

The Company follows the Recommendations of the Canadian Institute of Chartered Accountants in connection with accounting for stock option-based compensation. These Recommendations were first applied on a prospective basis to all awards granted on or after October 1, 2003, and established standards for the recognition, measurement and disclosure of stock option-based compensation and other stock based payments made in exchange for goods and services.

As amended during the current year, and as applied by the Company to both the current and comparative years, the standard now requires that all stock option-based awards made to consultants and employees be recognized in these consolidated financial statements and measured using a fair value-based method.

Loss Per Share

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

Future Income Taxes

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

Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized on an undiscounted cash flow basis when a reasonable estimate of the fair value of the obligation can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expense using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and from revisions to either expected payment dates or the amounts comprising the original estimate of the obligation. As at December 31, 2004, the Company does not have any asset retirement obligations.

Impairment of Long-Lived Assets

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

EAGLECREST EXPLORATIONS LTD.
Notes to the Consolidated Financial Statements
For the Three Months Ended December 31, 2004 and 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Environmental Expenditures

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

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

3. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2004			Sept. 30/ 04
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Office equipment	57,341	39,781	17,560	19,344
Crusher plant	128,531	100,682	27,849	34,275
Automotive	56,108	41,430	14,678	16,157
Field equipment	40,964	32,555	8,409	9,091
Recovery mill	801,550	108,950	692,600	676,244
	<u>1,084,494</u>	<u>323,398</u>	<u>761,096</u>	<u>755,111</u>

4. RESOURCE PROPERTIES

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

EAGLECREST EXPLORATIONS LTD.
Notes to the Consolidated Financial Statements
For the Three Months Ended December 31, 2004 and 2003

4. RESOURCE PROPERTIES *(continued)*

San Simon and Dona Amelia Zones

Pursuant to a formal joint venture agreement (the San Simon Agreement) executed in fiscal 1999, and subsequently amended, the Company holds the right to acquire 100% of all production from eleven mineral concessions in consideration for the payment of U.S.\$600,000 in stages as follows:

- U.S.\$30,000 (paid) on execution of the formal agreement;
- U.S.\$30,000 (paid) on the later of nine months after execution of the formal agreement and confirmation by the Bolivian regulatory authorities of the optionors' clear title to the concessions;
- U.S.\$100,000 (paid) one year after execution of the formal agreement;
- U.S.\$190,000 (fully accrued at September 30, 2001 and 2002) two years after execution of the formal agreement; and
- U.S.\$250,000 three years after execution of the formal agreement.

On December 15, 2002, the Company completed an agreement to reschedule the final U.S.\$440,000 in outstanding payments due pursuant to the San Simon Agreement. The Company has agreed to pay U.S. \$15,000 prior to December 15, 2002 (paid), U.S. \$15,000 prior to January 15, 2003 (paid), U.S.\$14,000 prior to March 20, 2003 (paid), U.S.\$146,000 prior to June 15, 2003 (paid) and U.S.\$250,000 prior to September 20, 2004 (U.S.\$150,000 paid). An amending agreement was signed to extend the remaining U.S.\$100,000 payment to March 31, 2005.

The Company originally acquired its interest in the San Simon property pursuant to eleven assignment agreements, which are still in effect, under which the Company has issued a total of 563,976 common shares and for which 338,976 common shares remain to be issued. These concessions are subject to a 3% net smelter returns royalty, of which the Company can purchase 1% for U.S.\$500,000 and a second 1% for U.S. \$750,000.

The Company has also acquired a 100% interest in production from the Bonanza concession, located contiguous to the concessions subject to the San Simon Agreement, pursuant to a separate assignment agreement and in a previous fiscal year had paid U.S.\$78,750 to the concession owners under an amendment to the original acquisition agreement with them. Under the assignment agreement, the Company had also issued 75,000 common shares to the assignor.

Agreement with San Simon Resources LLC ("SSR")

On April 15, 2003 SSR and the Company entered into an agreement by which the Company will acquire from SSR an 80% interest in production from seven non-core concessions and one additional concession (known as the California concession) by expending U.S.\$500,000 over two years and reimbursing SSR certain costs aggregating U.S.\$10,000 (paid). The Company also entered into a separate agreement with the underlying owner of the California concession whereby it paid U.S.\$48,000 during the comparative year and issued 200,000 common shares during the current year to obtain a 100% interest.

EAGLECREST EXPLORATIONS LTD.
Notes to the Consolidated Financial Statements
For the Three Months Ended December 31, 2004 and 2003

4. RESOURCE PROPERTIES *(continued)*

Marco Maria Zone

Pursuant to an agreement (the Marco Maria Agreement) signed during fiscal 1999, the Company acquired the right to 100% of all production from seven (subsequently increased to eight) mineral concessions located contiguous to the existing San Simon mineral concessions. The Company is required to pay U.S.\$100,000 prior to October 15, 2001 (not paid at September 30, 2003 but included in accounts payable and accrued liabilities) and issue 150,000 common shares (issued) to the optionor. These concessions are subject to a 3% net smelter royalty of which the Company can purchase 1% for U.S.\$500,000, and a second 1% for U.S.\$1,000,000.

The optionor and the Company have agreed to reschedule the aggregate U.S. \$100,000 due pursuant to the Marco Maria Agreement. The Company agreed to issue 500,000 common shares (issued) and pay U.S.\$25,000 upon signing of the amending agreement (paid), U.S.\$12,500 prior to June 2, 2004 (paid) and U.S.\$12,500 prior to June 2, 2005.

Dona Angela (Campo Nuevo) Zone

Pursuant to an agreement signed March 2, 2001, the Company has acquired the right to 100% of all production to 13 concessions covering 19,215 hectares located to the north, east and west of the Company's existing holdings at the San Simon property. The Company had originally agreed to pay U.S.\$95,000 (U.S.\$20,000 paid) to the optionor prior to July 31, 2003. These concessions are subject to a 3% net smelter royalty of which the Company can purchase 1% for U.S.\$1,000,000, and second 1% for U.S.\$2,000,000.

Pursuant to an amending agreement signed in August, 2003, the Company has agreed to pay the optionor the remaining U.S.\$75,000 (U.S.\$37,500 paid) and incur annual exploration expenditures of U.S.\$100,000. The optionor agreed to accept 375,000 common shares (issued by the Company) at a price of U.S.\$0.10 for the remaining U.S.\$37,500.

5. RELATED PARTY TRANSACTIONS

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

During the period ended September 30, 2004, the Company

- incurred administration fees of \$15,000 (2003 - \$6,000) and investor relations costs of \$31,135 (2003 - \$9,868) with an officer and a director of the Company.
- incurred management fees of \$36,621 (2003 - Nil) and legal fees of \$11,581 (2003 - \$5,773) to private companies related by a director-in-common and an officer.

As at December 31, 2004, accounts payable and accrued liabilities is inclusive of \$23,466 (December 31, 2003 - \$3,000) due to directors, officers, and private companies related directors-in-common.

EAGLECREST EXPLORATIONS LTD.
Notes to the Consolidated Financial Statements
For the Three Months Ended December 31, 2004 and 2003

6. SHARE CAPITAL

a) Authorized share capital consists of 500,000,000 common shares without par value.

	December 31, 2004		September 30, 2004	
	Number of Shares	Amount \$	Number of Shares	Amount \$
Issued – Beginning of year	146,624,761	36,903,461	87,559,526	29,458,736
Conversion of loans	-	-	18,110,420	2,550,095
Mineral property acquisition	-	-	575,000	74,750
Private placements	-	-	38,225,000	4,741,907
Shares issued for finder's fees	-	-	1,566,700	-
Shares issued to settle debt	-	-	538,115	71,473
Exercise of warrants	-	-	50,000	6,500
	-	-	59,065,235	7,444,725
Issued – End of period	146,624,761	36,903,461	146,624,761	36,903,461

b) **Directors' and employees' stock options outstanding**

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

	December 31, 2004	Weighted- Average Exercise Price \$	September 30, 2004	Weighted- Average Exercise Price \$
Balance outstanding, beginning of year	9,050,000	0.15	8,790,000	0.29
Activity during the period:			0	
Options granted	3,250,000	0.15	4,900,000	0.15
Options cancelled/Expired	-		(4,640,000)	0.31
Balance outstanding, end of period	12,300,000	0.15	9,050,000	0.15

EAGLECREST EXPLORATIONS LTD.
Notes to the Consolidated Financial Statements
For the Three Months Ended December 31, 2004 and 2003

6. SHARE CAPITAL (continued)

ii) Details of stock options outstanding at December 31, 2004:

Number of shares	Option price	Expiry date
50,000	\$0.15	November 14, 2007
1,750,000	\$0.15	November 19, 2007
2,000,000	\$0.15	February 4, 2008
1,000,000	\$0.15	June 10, 2008
500,000	\$0.15	October 10, 2008
3,400,000	\$0.15	April 6, 2009
3,250,000	\$0.15	December 24, 2009
75,000	\$0.15	February 21, 2010
125,000	\$0.15	April 14, 2010
150,000	\$0.15	March 16, 2011
<u>12,300,000</u>		

As at December 31, 2004, the weighted average remaining contractual life is 4.02 years (2003 - 4.12 years).

c) Shareholder Rights Plan

The Company has adopted a Shareholder Rights Plan, whereby one share purchase right is to be attached to each currently outstanding and future common share to be issued, exercisable only in the case of a specific event, such as the acquisition by an individual or corporation of 20% or more of the issued common shares of the Company.

d) Share purchase warrants outstanding

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

	December 31, 2004	Weighted- Average Exercise Price	September 30, 2004	Weighted - Average Exercise Price
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
		\$		\$
Balance outstanding, beginning of year	83,221,035	0.16	32,317,961	0.23
Activity during the period:				
Warrants issued	-	-	56,448,535	0.14
Warrants exercised	-	-	(50,000)	0.13
Warrants expired	(7,820,000)	0.23	(5,495,461)	0.33
Balance outstanding, end of period	<u>75,401,035</u>	<u>0.15</u>	<u>83,221,035</u>	<u>0.16</u>

EAGLECREST EXPLORATIONS LTD.
Notes to the Consolidated Financial Statements
For the Three Months Ended December 31, 2004 and 2003

6. SHARE CAPITAL (continued)

ii) Details of share purchase warrants outstanding at December 31, 2004:

Number of shares	Exercise price	Expiry date
750,000	\$1.00	January 1, 2005
580,000	\$0.16	March 4, 2005
2,522,500	\$0.16	March 4, 2005
10,000,000	\$0.16	August 18, 2005
5,100,000	\$0.16	September 18, 2005
1,350,000	\$0.13	November 27, 2005
3,100,000	\$0.13	December 23, 2005
3,060,000	\$0.13	March 5, 2006
10,038,115	\$0.13	March 23, 2006
3,110,420	\$0.17	April 1, 2006
5,000,000	\$0.17	April 1, 2006
3,790,000	\$0.14	May 25, 2006
27,000,000	\$0.13	August 23, 2006
75,401,035		

e) **Share subscriptions**

- During the year ended September 30, 2001, the Company proposed to issue a private placement of 2.0 million units at \$0.50 per unit to raise \$1.0 million less a 7.5% finder's fee. Each unit is to consist of a common share and a two-year warrant to purchase an additional share for \$0.50 in the first year and \$0.60 in the second year. The Company has received subscriptions for 1,983,171 units (proceeds of \$925,000, net of related issue costs). This private placement has regulatory consent, however, the units cannot be issued until the completion of certain regulatory filings.
- 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 is comprised of one common share and one warrant to purchase one common share at a price of \$0.30 per share in the first year and \$0.40 per share in the second year. This private placement has regulatory consent, however, the units cannot be issued until the completion of certain regulatory filings.
- During the ended September 30, 2004, the Company received \$393,000 in advance of a private placement of 3 million units at \$0.13. Each unit is comprised of one common share and one warrant to purchase one common share at a price of \$0.13 for a period of two years.
- During the period ended December 31, 2004, the Company received \$308,764 in advance of a private placement of 6,490,000 units at \$0.13. Each unit is comprised of one common share and one warrant to purchase one common share at a price of \$0.13 for a period of two years.

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6. SHARE CAPITAL (continued)

f) Stock-based compensation

At December 31, 2004, \$272,025 in stock-based compensation was recorded as a result of stock options granted during the period. The fair value of stock options granted was estimated using the Black-Scholes Option Pricing Model with the following assumptions; risk-free interest rate – 3.2% expected dividend yield - Nil; expected stock price volatility - 109%; and expected option life of 3 years.

The company recorded stock-based compensation in fiscal 2004 of \$998,351. The fair value of stock options granted was estimated using the Black-Scholes Option Pricing Model with the following assumptions; risk-free interest rate – 3.2% to 4%; expected dividend yield - Nil; expected stock price volatility - 107% to 122%; and expected option life in years – 2.5 to 5 years.

The pro-forma effect on net loss and loss per share for the period ended September 30, 2003; reported net loss - \$ 295,175; loss per share - \$0.00; pro-forma net loss - \$750,935; pro-forma net loss per share - \$0.01.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate, and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

7. INCOME TAXES

As at September 30, 2004, the Canadian parent company has accumulated non-capital losses of approximately \$6.1 million (2003 - \$7.0 million) which are available to reduce future taxable income earned by that company and which expire between 2005 and 2011. No future benefit has been recognized in the accounts for these losses since at this time it cannot be considered likely that they will be utilized.

8. BRIDGE LOANS PAYABLE

During the year ended September 30, 2001, the Company entered into loan agreements with three parties who loaned a total of U.S.\$485,000, inclusive of U.S. \$35,000 advanced to the Company during the comparative year, with no fixed terms of repayment and non-interest bearing except for two loans aggregating U.S.\$50,000, which carried simple interest at 12% per annum. During 2003, the Company issued an aggregate of 613,332 common shares and 580,000 share purchase warrants exercisable for a period of one year at U.S. \$0.10 in full repayment of the interest-bearing loans. The Company also issued 4,733,600 units in settlement of the U.S.\$435,000 loan with each unit consisting of one common share and one common warrant. Each warrant is exercisable for two years at U.S. \$0.10.

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9. MARKETABLE SECURITIES

Marketable securities consisted of 28,571 common shares of Bravo Venture Group Inc., a public company listed on the TSX Venture Exchange, at an estimated aggregate market value at September 30, 2003 of \$2,000. These shares were disposed of in the current year for net proceeds of \$5,091 resulting in a gain of \$3,091.

10. SUBSEQUENT EVENTS

In addition to information disclosed elsewhere in these notes, the following occurred during the period subsequent to December 31, 2004:

- The Company issued 6,490,000 units at U.S.\$0.10 per unit in two private placements, with each unit consisting of a common share and a share purchase warrant. Each warrant is exercisable to acquire an additional common share at U.S.\$0.10 for a period of two years. Finders' fees of \$47,670 in cash and 100,000 common shares at U.S.\$0.10 per share were paid in connection with these private placements.