



**Eaglecrest Explorations Ltd.**  
CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2003

*Unaudited*  
*Prepared by Management*

**EAGLECREST EXPLORATIONS LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
As at March 31, 2003 and September 30, 2002  
*(Unaudited – Prepared by Management)*

	<b>March 31, 2003</b>	September 30, 2002
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 23,576	\$ 218,351
Accounts receivable	18,000	5,457
Prepaid expenses	10,300	-
Marketable securities (note 11)	2,000	2,000
	<b>53,876</b>	225,808
Resource properties (note 5)	<b>14,984,439</b>	14,533,609
Capital assets (note 4)	<b>97,846</b>	115,113
	<b>\$ 15,136,161</b>	\$ 14,874,530
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	\$ 1,055,803	\$ 2,035,922
Bridge loan payable (note 10)	639,145	781,991
	<b>1,694,948</b>	2,817,913
<b>Shareholders' equity</b>		
Share capital (note 7)	<b>26,842,763</b>	24,531,406
Share subscription (note 7)	<b>1,156,000</b>	2,085,692
Deficit	<b>(14,557,550)</b>	(14,560,481)
	<b>13,441,213</b>	12,056,617
	<b>\$ 15,136,161</b>	\$ 14,874,530

Nature of Operations and Going Concern (note 1)  
Contingency (note 3)

Approved by the Directors:

“Lawrence Page, QC”  
Lawrence Page, QC

“Dale Janowsky, QC”  
Dale Janowsky, QC

**EAGLECREST EXPLORATIONS LTD.**  
**CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**  
For the Six Months Ended March 31, 2003 and 2002  
*(Unaudited – Prepared by Management)*

	<b>Three Months Ended March 31,</b>		<b>Six Months Ended March 31,</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<b>Expenses</b>				
Accounting and audit	\$ -	\$ -	\$ 2,500	\$ -
Administration	15,000	15,043	30,000	30,043
Amortization	8,633	9,580	17,267	19,159
Bank charges and interest – net	3,492	205	6,604	3,667
Consulting	740	500	1,115	15,085
Filing fees	15,345	5,495	22,111	6,708
Foreign exchange (gain) loss	(132,738)	890	(142,446)	14,354
Insurance	11,118	-	11,118	1,438
Investor relations	12,877	5	14,877	21,772
Legal	3,514	1,114	6,748	6,144
Office and printing	9,877	7,994	16,122	15,659
Shareholder information	2,569	6,525	2,704	6,698
Transfer agent	3,143	1,330	3,899	1,870
Travel and related costs	4,350	186	4,450	857
<b>Income (loss) before the undernoted</b>	<b>42,080</b>	<b>(48,867)</b>	<b>2,931</b>	<b>(143,454)</b>
Write down of marketable securities	-	-	-	(2,000)
<b>Net income (loss) for the period</b>	<b>\$ 42,080</b>	<b>\$ (48,867)</b>	<b>2,931</b>	<b>(145,454)</b>
<b>Deficit – beginning of period</b>			<b>(14,560,481)</b>	<b>(14,294,476)</b>
<b>Deficit - end of period</b>			<b>\$ (14,557,550)</b>	<b>\$ (14,439,930)</b>
<b>Basic and diluted income (loss) per share</b>			<b>\$ 0.0001</b>	<b>\$ (0.003)</b>
<b>Weighted average number of outstanding shares</b>			<b>57,147,294</b>	<b>52,960,031</b>

The accompanying notes are an integral part of these consolidated financial statements.

**EAGLECREST EXPLORATIONS LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Six Months Ended March 31, 2003 and 2002  
*(Unaudited – Prepared by Management)*

	<b>Three Months Ended March 31,</b>		<b>Six Months Ended March 31,</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<b>Cash flows from operating activities</b>				
Net loss for the period	\$ 42,080	\$ (48,867)	\$ 2,931	\$ (145,454)
Items not affecting cash:				
Amortization	8,634	9,580	17,267	19,159
Write down of marketable securities	-	-	-	2,000
Accrued interest on bridge loan payable	(15,077)	2,359	(12,703)	4,749
	<b>35,637</b>	<b>(36,928)</b>	<b>7,495</b>	<b>(119,546)</b>
Net change in non-cash working capital items:				
Accounts receivable	(11,820)	2,285	(12,543)	4,059
Prepaid expense	-	-	(10,300)	1,438
Accounts payable	69,973	69,627	(176,508)	580,352
Bridge loan payable	(36,800)	437	(39,842)	62,346
	<b>56,990</b>	<b>35,421</b>	<b>(231,698)</b>	<b>528,649</b>
<b>Financing activities</b>				
Share capital issued for cash, net	1,417,445	-	1,417,445	-
Share subscription, net	(1,128,463)	-	(929,692)	-
	<b>288,982</b>	<b>-</b>	<b>487,753</b>	<b>-</b>
<b>Investing activity</b>				
Resource property expenditure	(352,957)	(34,853)	(450,830)	(541,859)
Purchase of capital assets	-	-	-	-
	<b>(352,957)</b>	<b>(34,853)</b>	<b>(450,830)</b>	<b>(541,859)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(6,985)</b>	<b>568</b>	<b>(194,775)</b>	<b>(13,210)</b>
Cash and cash equivalents - beginning of period	30,561	499	218,351	14,277
<b>Cash and cash equivalents - end of period</b>	<b>\$ 23,576</b>	<b>\$ 1,067</b>	<b>\$ 23,576</b>	<b>\$ 1,067</b>

The accompanying notes are an integral part of these consolidated financial statements.

**EAGLECREST EXPLORATIONS LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Six Months Ended March 31, 2003 and the Year Ended September 30, 2002

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**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.

As at March 31, 2003, the Company has a net working capital deficit of \$1,641,072 (September 30, 2002 - \$2,592,105) and a cumulative operating deficit of \$14,557,550 (September 30, 2002 - \$14,560,481). The Company will require significant additional funding to alleviate its working capital deficiency and meet its planned resource expenditures in fiscal 2003. 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. Additional funding is required to meet commitments in 2003 and, in the event this does not occur, 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. 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 subsidiaries located in Bolivia and the British Virgin Islands.

**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 Six Months Ended March 31, 2003 and the Year Ended September 30, 2002

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**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 commencement of commercial production or written off if the properties are abandoned or the claims 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.

**Capital Assets**

Capital assets consisting largely of computer hardware, motor vehicles and rock crushing equipment, are recorded at cost and are amortized over their estimated useful lives on a declining balance basis at an annual rate of 30%. The Company has also constructed a rock crusher plant that is recorded at cost and amortized on a straight-line basis over five years.

**EAGLECREST EXPLORATIONS LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Six Months Ended March 31, 2003 and the Year Ended September 30, 2002

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**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 Six Months Ended March 31, 2003 and the Year Ended September 30, 2002

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Stock-based compensation**

On October 1, 2002 the Company adopted the new standard of the CICA for accounting for stock-based compensation expense. Under this standard, compensation expense on stock options granted to non-employees is recorded as an expense in the period the options are vested using the fair value method.

The Company has elected to follow the intrinsic value method of accounting for stock options granted to directors and employees. Under this method, no compensation expense is recorded when stock or stock options are granted to directors and employees if the exercise price of the stock options are granted at market value. Any consideration paid by directors and employees on exercise of stock options or purchase of shares is credited to share capital. However, additional disclosure of the effects of accounting for stock-based compensation to directors and employees as compensation expense, using the fair value method, is disclosed as pro-forma information.

**Earnings (Loss) Per Share**

Earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. Fully diluted loss per share amount has not been presented as the effect of outstanding options and warrants is anti-dilutive. The fully diluted income per share has not been presented as the effect on the earnings per share amount is immaterial.

**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.

**EAGLECREST EXPLORATIONS LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Six Months Ended March 31, 2003 and the Year Ended September 30, 2002

**3. LEGAL SETTLEMENTS**

During the year ended September 30, 2001, the Company was named in a lawsuit filed by a creditor for unpaid amounts aggregating approximately \$5,600 including interest and court cost, of which \$4,000 has been accrued in accounts payable at September 30, 2001. During the year ended September 30, 2002, the creditor settled the claim for \$3,100.

During the year ended September 30, 2000, the Company proposed to settle a claim by a former officer and director for \$107,000 in unpaid wages by the issuance of 100,000 shares at a deemed price of \$0.45 per share. A provision of \$45,000 was accrued in that fiscal year and this amount was settled on March 4, 2003 through the issuance of 100,000 common shares.

**4. CAPITAL ASSETS**

	Costs	Accumulated amortization	<b>March 31, 2003 Net Book Value</b>	September 30, 2002 Net Book Value
Office equipment	\$ 35,678	\$ 31,789	\$ <b>3,889</b>	\$ 4,576
Crusher plant	128,531	55,696	<b>72,835</b>	85,687
Automotive	40,729	35,377	<b>5,352</b>	6,297
Field equipment	40,964	25,194	<b>15,770</b>	18,553
	<b>\$ 245,902</b>	<b>\$ 148,056</b>	<b>\$ 97,846</b>	<b>\$ 115,113</b>

**EAGLECREST EXPLORATIONS LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Six Months Ended March 31, 2003 and the Year Ended September 30, 2002

**5. 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 industry standards with respect to the current stage of exploration on these properties.

	September 30, 2002 \$	Additions during the period \$	March 31, 2003 \$
<b>Bolivia</b>			
<b>San Simon Property</b>			
Acquisition costs	2,167,650	29,729	2,197,379
Assays	397,246	1,499	398,745
Camp costs	1,731,852	55,284	1,787,136
Consulting fees	2,156,455	135,770	2,292,225
Drilling	1,501,060	-	1,501,060
Mapping	120,058	-	120,058
Equipment rental	1,150,002	32,464	1,182,466
Field costs	625,183	2,478	627,661
Geophysical surveys	162,186	2,115	164,301
Professional fees	216,350	1,041	217,391
Sampling and analysis	132,529	-	132,529
Wages	589,341	-	589,341
Travel	478,041	4,620	482,661
Underground development	2,234,411	185,830	2,420,241
Vehicle maintenance	393,251	-	393,251
Administration	193,576	-	193,576
	<b>14,249,191</b>	<b>450,830</b>	<b>14,700,021</b>
<b>Marco Maria Property</b>			
Acquisition costs	239,058	-	239,058
Professional	10,701	-	10,701
	<b>249,759</b>	<b>-</b>	<b>249,759</b>
<b>Campo Nuevo Property</b>			
Acquisition costs	31,512	-	31,512
Professional	3,147	-	3,147
	<b>34,659</b>	<b>-</b>	<b>34,659</b>
<b>Total</b>	<b>14,533,609</b>	<b>450,830</b>	<b>14,984,439</b>

## **EAGLECREST EXPLORATIONS LTD.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Six Months Ended March 31, 2003 and the Year Ended September 30, 2002

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#### **5. RESOURCE PROPERTIES** *(continued)*

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

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 during the 1999 fiscal year) on execution of the formal agreement;
- U.S.\$30,000 (paid during the 2000 fiscal year) 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 during the 2001 fiscal year) one year after execution of the formal agreement;
- U.S.\$190,000 two years after execution of the formal agreement (due November, 2001 and not paid at September 30, 2002 but included in accounts payable and accrued liabilities at September 30, 2001 and 2002 (U.S.\$30,000 paid as at March 31, 2003), 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 remaining 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 April 9, 2003), U.S.\$146,000 prior to September 20, 2003 and U.S.\$250,000 prior to September 20, 2004.

The optionor and the Company have agreed to reschedule the September 20, 2003 payment due pursuant to the San Simon Agreement. Subject to final documentation and TSX Venture Exchange approval, the Company has agreed to pay U.S.\$100,000 through the issuance of 1,000,000 common shares on TSX Venture Exchange approval, and U.S.\$46,000 prior to September 20, 2003.

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 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.

**EAGLECREST EXPLORATIONS LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Six Months Ended March 31, 2003 and the Year Ended September 30, 2002

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**5. RESOURCE PROPERTIES** *(continued)***Marco Maria Property, Bolivia**

Pursuant to an agreement (the Marco Maria Agreement) signed during fiscal 1999, the Company acquired the right to 100% of all production from seven 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 March 31, 2003 but included in accounts payable and accrued liabilities at that date and at September 30, 2002) 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 terms of this agreement are being re-negotiated.

The optionor and the Company have agreed to reschedule the payment due pursuant to the Marco Maria Agreement. Subject to final documentation and TSX Venture Exchange approval, the Company has agreed to pay U.S.\$50,000 through the issuance of 500,000 common shares on TSX Venture Exchange approval, U.S.\$25,000 prior to April 30, 2003 and U.S.\$25,000 prior to June 30, 2003.

**Campo Nuevo Property**

Pursuant to an agreement signed March 2, 2001, the Company has acquired the right to 100% of all production to 13 concessions covering 19,125 hectares located to the north, east and west of the Company's existing holdings at the San Simon property. The Company has agreed to pay U.S.\$95,000 (U.S.\$20,000 paid) to the optionor on 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. The agreement is subject to regulatory approval.

Subject to final documentation and TSX Venture Exchange approval, the Company has agreed to issue 375,000 common shares at a deemed price of U.S.\$0.10 for one half of the outstanding amount.

**Agreement with San Simon Resources LLC**

During the year ended September 30, 2002 the Company entered into a letter agreement with San Simon Resources LLC ("SSR"), pursuant to which SSR agreed to make the payments set out above under "Marco Maria Property" and "Campo Nuevo Property" in consideration for the Company agreeing to give up its rights to certain non-core concessions acquired under those agreements, and granting SSR the option to earn a 70% interest in 25 square kilometers of additional claims by spending U.S.\$1.0 million in exploration prior to May, 2004. This agreement was amended April 15, 2003. (See Subsequent Events, note 12.)

**EAGLECREST EXPLORATIONS LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Six Months Ended March 31, 2003 and the Year Ended September 30, 2002

**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 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 six months ended March 31, 2003, the Company

- incurred administration fees of \$30,000 (March 31, 2002 - \$30,000) and investor relations costs of \$10,181 (March 31, 2002 - \$18,000) with companies related by a director-in-common and other directors.
- incurred consulting fees of \$875 (March 31, 2002 - \$15,609) and legal fees of \$6,358 (March 31, 2002 - \$6,144) to companies related by directors-in-common and senior officers.

As at March 31, 2003, accounts payable includes \$79,318 (September 30, 2002 - \$191,582) due to directors and former directors and to companies related by directors and former directors-in-common.

**7. SHARE CAPITAL**

- a) Authorized share capital consists of 200,000,000 (2001 - 100,000,000) common shares without par value. At the Company's Annual General Meeting held on September 30, 2002, the shareholders approved an increase in the Company's authorized share capital from 100,000,000 to 200,000,000 common shares.

	<b>March 31, 2003</b>		<b>September 30, 2002</b>	
	<b>Number of shares</b>	<b>Amount</b>	<b>Number of shares</b>	<b>Amount</b>
Issued - Beginning of period	<b>53,087,778</b>	<b>24,531,406</b>	52,571,111	24,453,906
Private placements (net of finder's fees and issue costs \$Nil) (2001 - \$Nil)	<b>9,222,500</b>	<b>1,417,445</b>	516,667	77,500
Shares issued to settle debt	<b>5,832,032</b>	<b>893,912</b>	-	-
Issued - End of period	<b>68,142,310</b>	<b>26,842,763</b>	53,087,778	24,531,406

As at April 24, 2003, the Company's issued and outstanding common shares total 68,142,310.

**EAGLECREST EXPLORATIONS LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Six Months Ended March 31, 2003 and the Year Ended September 30, 2002

**7. SHARE CAPITAL (continued)**

b) Directors' and employees' stock options are outstanding as follows:

i) The changes in stock options were as follows:

	<b>March 31, 2003</b>	<b>Weighted Average Exercise Price</b>	September 30, 2002	<b>Weighted Averged Exercise Price</b>
Balance outstanding, beginning of period	<b>8,076,000</b>	<b>\$ 0.34</b>	9,240,361	\$ 0.34
Activity during the period:				
Options granted	<b>5,400,000</b>	<b>0.25</b>	-	-
Options exercised	-	-	-	-
Options cancelled/expired	<b>(4,311,000)</b>	<b>0.33</b>	(1,164,361)	0.33
Balance outstanding, end of period	<b>9,165,000</b>	<b>\$ 0.29</b>	8,076,000	\$ 0.34

ii) A summary of stock options at March 31, 2003:

Number of shares	Option price	Expiry date
275,000	\$0.25	June 22, 2003
100,000	\$0.25	August 7, 2003
225,000	\$0.28	March 18, 2004
240,000	\$0.30	April 23, 2004
25,000	\$0.29	April 30, 2004
150,000	\$0.31	June 18, 2004
305,000	\$0.54	November 4, 2004
2,400,000	\$0.25	November 19, 2007
3,000,000	\$0.25	February 4, 2008
1,445,000	\$0.27	April 14, 2010
100,000	\$0.34	February 21, 2011
900,000	\$0.44	March 16, 2011
<b>9,165,000</b>		

As at March 31, 2003, the exercise price of options outstanding range from \$0.25 - \$0.54 (September 30, 2002 - \$0.25 - \$0.54) and the weighted average remaining contractual life is 5.04 years (September 30, 2002 - 6.34 years).

**EAGLECREST EXPLORATIONS LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Six Months Ended March 31, 2003 and the Year Ended September 30, 2002

**7. SHARE CAPITAL (continued)**

Pursuant to the new CICA policy of accounting for stock based compensation, compensation expense for stock options granted to directors and employees is disclosed as pro-forma information. The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes Option Pricing Model with the following assumptions as at December 31, 2002:

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Risk-free interest rate	4.80%
Expected dividend yield	-
Expected stock price volatility	75%
Expected option life in years	5.0

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The pro forma effect on net earnings and earnings per share for the period ended March 31, 2003 of the actual results had the Company accounted for the stock options granted to directors and employees using the fair value method is as follows:

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Net income for the period	
Reported	\$ 2,931
Compensation expense	(387,248)
Pro forma loss	(384,317)

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Basic and diluted income (loss) per share	
Reported	\$ 0.0001
Pro forma	(0.007)

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Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the company's stock options.

- c) 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. The application of the plan may be waived by the Board of Directors with respect to any acquisition.

**EAGLECREST EXPLORATIONS LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Six Months Ended March 31, 2003 and the Year Ended September 30, 2002

**7. SHARE CAPITAL (continued)**

d) Share purchase warrants are outstanding as follows:

i) The changes in share purchase warrants were as follows:

	<b>March 31, 2003</b>	<b>Weighted Average Exercise Price</b>	September 30, 2002	<b>Weighted Average Exercise Price</b>
Balance outstanding, beginning of period	<b>8,615,461</b>	<b>\$ 0.42</b>	8,568,794	\$ 0.44
Activity during the period:				
Warrants issued	<b>9,802,500</b>	<b>0.16</b>	516,667	0.20
Warrants cancelled/expired	-	-	(470,000)	0.60
<b>Balance outstanding, end of period</b>	<b>18,417,961</b>	<b>\$ 0.26</b>	8,615,461	\$ 0.42

ii) A summary of share purchase warrants at March 31, 2003:

Number of shares	Exercise price	Expiry date
750,000	\$1.00	January 1, 2005
1,000,000	\$0.25	August 21, 2003
516,667	\$0.20	November 19, 2003
3,923,508	\$0.30	February 9, 2004
1,055,286	\$0.50	June 1, 2004
1,105,000	\$0.60	November 19, 2004
265,000	\$0.50	November 19, 2004
6,700,000	\$0.16	December 27, 2004
580,000	\$0.16	March 4, 2005
2,522,500	\$0.16	March 4, 2005
<b>18,417,961</b>		

During the period, the Company received regulatory approval to extend the terms of 750,000 warrants to purchase common shares at \$1.00 from March 31, 2003 to January 1, 2005.

**EAGLECREST EXPLORATIONS LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Six Months Ended March 31, 2003 and the Year Ended September 30, 2002

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**7. SHARE CAPITAL** *(continued)*

## 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. To December 31, 2002 the Company has received subscriptions for 1,983,171 units (net proceeds of \$925,000 after finder's fees). The private placement has TSX Venture Exchange approval. The units will be issued on 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. The units will be issued on the completion of certain regulatory filings.

**8. COMMITMENTS**

Under the terms of a management agreement, the Company was committed until April 30, 1999 to pay its President \$8,500 per month for management consulting fees. This agreement has continued on a month-to-month basis subsequent to April 30, 1999. Effective September 1, 2000, the compensation was changed to US\$8,500 per month. The management agreement was terminated during fiscal 2002 and the former President received or was accrued an aggregate of \$38,593 in severance and other compensation, and also resigned as a director of the company subsequent to year end.

**9. INCOME TAXES**

As at March 31, 2003, the Canadian parent company has accumulated non-capital losses of approximately \$6.74 million (September 30, 2002 - \$6.70 million) which are available to reduce future taxable income earned by that company and which expire between 2003 and 2009. 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.

**EAGLECREST EXPLORATIONS LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Six Months Ended March 31, 2003 and the Year Ended September 30, 2002

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**10. BRIDGE LOAN PAYABLE**

During the year ended September 30, 2001, the Company entered into loan agreements with three parties who have loaned a total of U.S.\$485,000 to the Company, with no fixed terms of repayment and non-interest bearing except for two loans aggregating U.S.\$50,000, which bear simple interest at 12% per annum. On March 4, 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 U.S.\$50,000 loan and accrued interest.

On March 1, 2003 the Company entered into an agreement with the holder of the remaining U.S.\$435,000 whereby 4,733,600 units would be issued in full settlement of the outstanding amount plus interest calculated on final settlement. Each unit consists of one share and one warrant, with the warrants exercisable for two years at U.S.\$0.10. This agreement is subject to TSX Venture Exchange approval.

**11. MARKETABLE SECURITIES**

Marketable securities consist 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 March 31, 2003 of \$2,000 (September 30, 2002 - \$2,000).

**12. SUBSEQUENT EVENTS**

In addition to information disclosed elsewhere in these notes, the following occurred during the period subsequent to March 31, 2003.

On April 15, 2003 San Simon Resources LLC (“SSR”) and the Company agreed to amend an agreement whereby SSR had the right to earn an 80% interest in seven non-core concessions. SSR and the Company have agreed to combine those seven concessions and one additional concession (known as the California concession) acquired by SSR, and the Company will hold an 80% interest in the entire block after expending U.S.\$500,000 over two years.