

**EAGLECREST EXPLORATIONS LTD.**

Consolidated Financial Statements

For the Three Months ended December 31, 2005

(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, 2005, 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, 2005 and September 30, 2005

	December, 31 (Un-audited)	September 30 (Audited)
<b>Assets</b>	\$	\$
<b>Current</b>		
Cash	1,717,058	762,771
Accounts receivable	39,256	136,202
Prepays & deposits	48,947	50,294
	1,805,261	949,267
Property, plant and equipment (note 3)	666,164	699,014
Resource properties (Schedule) (note 4)	26,856,494	25,902,523
	29,327,919	27,550,804
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	435,875	528,074
	435,875	528,074
<b>Shareholders' Equity</b>		
Share capital (note 6)	42,882,757	42,772,462
Share subscriptions (note 6)	3,098,962	1,156,000
Contributed surplus (note 6)	1,428,731	1,428,731
Deficit	(18,518,406)	(18,334,463)
	28,892,044	27,022,730
	29,327,919	27,550,804

Nature of Operations and Going Concern (Note 1)

Approved by the Board of Directors:

"Paul Zdebiak"  
Paul Zdebiak

"Carl Erickson"  
Carl Erickson

See notes to the consolidated financial statements

**EAGLECREST EXPLORATIONS LTD.**  
Consolidated Statements of Operations and Deficit  
For the Three Months Ended December 31, 2005 and 2004  
(Un-audited – Prepared by Management)

	2005	2004
	\$	\$
<b>Expenses</b>		
Accounting and audit	3,000	3,000
Administration	15,000	15,000
Amortization	743	803
Bank charges and interest (net)	(903)	785
Consulting	21,118	-
Filing fees	-	6,801
Foreign exchange loss (gain)	(9,084)	15,206
Insurance	9,445	11,136
Investor relations	51,728	47,854
Legal	15,405	11,581
Management fees	45,662	36,621
Office and printing	10,781	14,700
Shareholder information	3,731	1,637
Stock-based compensation (note 6 (e))	-	272,025
Transfer agent	1,354	239
Travel and promotion	15,963	18,969
	183,943	456,357
Net loss for the period	(183,943)	(456,357)
Deficit, beginning of period	(18,334,463)	(16,900,624)
Deficit, end of period	(18,518,406)	(17,356,981)
Loss per common share (note 2)	\$ (0.00)	\$ (0.00)
Weighted-average number of common shares outstanding	178,874,702	119,352,696

See notes to the consolidated financial statements

**EAGLECREST EXPLORATIONS LTD.**  
Consolidated Statements of Cash Flows  
For the Three Months Ended December 31, 2005 and 2004  
(Un-audited – Prepared by Management)

	2005	2004
	\$	\$
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net loss for the period	(183,943)	(456,357)
Items not affecting cash:		
Amortization	743	802
Stock based compensation	-	272,025
	<u>(183,200)</u>	<u>(183,530)</u>
Net change in non-cash working capital items:		
Accounts receivable and prepaids	98,293	(7,388)
Accounts payable and accrued liabilities	(92,199)	(201,358)
	<u>(177,106)</u>	<u>(392,276)</u>
<b>Financing activities</b>		
Cash received for capital stock issued	110,295	-
Cash received for share subscriptions	1,942,962	308,764
	<u>2,053,257</u>	<u>308,764</u>
<b>Investing activities</b>		
Property, plant and equipment expenditures	(22,790)	(50,168)
Resource property expenditures	(899,074)	(860,936)
	<u>(921,864)</u>	<u>(911,104)</u>
<b>Increase (decrease) in cash</b>	954,287	(994,616)
<b>Cash and cash equivalents - beginning of period</b>	<u>762,771</u>	<u>1,172,800</u>
<b>Cash and cash equivalents - end of period</b>	<u><u>1,717,058</u></u>	<u><u>178,184</u></u>

See notes to the consolidated financial statements

**EAGLECREST EXPLORATIONS LTD.**  
Consolidated Schedule of Mineral Property Costs

	September 30, 2004 (Audited)	Additions during the year	September 30, 2005 (Audited)	Additions during the period	December 31, 2005 (Un-audited)
<b>Bolivia</b>					
<b>San Simon Zone</b>					
Acquisition costs	2,395,843	124,920	2,520,763	-	2,520,763
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>14,745,210</u>	<u>124,920</u>	<u>14,870,130</u>	<u>-</u>	<u>14,870,130</u>
<b>Dona Amelia Zone</b>					
Acquisition costs	78,210	12,266	90,476	-	90,476
Admin and office	249,796	265,310	515,106	49,479	564,585
Amortization	109,895	200,008	309,903	54,898	364,801
Assays	280,709	156,983	437,692	28,586	466,278
Camp costs	293,326	123,669	416,995	61,353	478,348
Consulting fees	719,923	657,753	1,377,676	149,289	1,526,965
Drilling	2,757,300	898,068	3,655,368	161,537	3,816,905
Environmental	-	59,990	59,990	10,135	70,125
Mapping	12,806	-	12,806	-	12,806
Equipment rental	312,957	223,391	536,348	72,243	608,591
Field costs	621,630	675,012	1,296,642	91,791	1,388,433
Geophysical surveys	12,894	-	12,894	-	12,894
Travel/transportation	172,161	169,156	341,317	40,455	381,772
Underground development	-	744,104	744,104	112,272	856,376
Wages	491,749	336,370	828,119	121,933	950,052
	<u>6,113,356</u>	<u>4,522,080</u>	<u>10,635,436</u>	<u>953,971</u>	<u>11,589,407</u>

**EAGLECREST EXPLORATIONS LTD.**  
Consolidated Schedule of Mineral Property Costs

	September 30, 2004 (Audited)	Additions during the year	September 30, 2005 (Audited)	Additions during the period	December 31, 2005 (Un-audited)
<b>Marco Maria Zone</b>					
Acquisition costs	239,058	-	239,058	-	239,058
Professional fees	10,701	-	10,701	-	10,701
	<u>249,759</u>	<u>-</u>	<u>249,759</u>	<u>-</u>	<u>249,759</u>
<b>Dona Angela (Campo Nuevo) Zone</b>					
Acquisition costs	131,785	12,266	144,051	-	144,051
Professional fees	3,147	-	3,147	-	3,147
	<u>134,932</u>	<u>12,266</u>	<u>147,198</u>	<u>-</u>	<u>147,198</u>
<b>Total</b>	<u>21,243,257</u>	<u>4,659,266</u>	<u>25,902,523</u>	<u>953,971</u>	<u>26,856,494</u>

See notes to the consolidated financial statements

**EAGLECREST EXPLORATIONS LTD.**  
Notes to the Consolidated Financial Statements  
For the Three Months Ended December 31, 2005 and 2004  
(Un-audited – Prepared by Management)

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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.

During the current period the Company experienced an operating loss of \$183,943 (2004 - \$456,357) and at December 31, 2005 has a cumulative operating deficit of \$18,518,406. The Company will require significant additional funding to maintain its working capital surplus and meet its planned resource expenditures in fiscal 2006. 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.

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.

**EAGLECREST EXPLORATIONS LTD.**  
Notes to the Consolidated Financial Statements  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Resource Properties** *(continued)*

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, automotive 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.

**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.

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

**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.

**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.

**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.

**EAGLECREST EXPLORATIONS LTD.**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 September 30, 2005, 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.

**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, 2005			Sept. 30/05
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Office equipment	86,799	50,113	36,686	35,774
Crusher plant	128,531	126,388	2,143	8,569
Automotive	56,108	45,646	10,462	11,310
Field equipment	40,964	35,078	5,886	6,364
Recovery mill	892,353	281,366	610,987	636,997
	1,204,755	538,591	666,164	699,014

**EAGLECREST EXPLORATIONS LTD.**  
Notes to the Consolidated Financial Statements  
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**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 to each of its mineral properties is adequate and acceptable by prevailing Bolivian standards with respect to the current stage of exploration on these properties.

**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 two years after execution of the formal agreement (subsequently amended December 15, 2002); and
- U.S.\$250,000 three years after execution of the formal agreement (subsequently amended December 15, 2002).

On December 15, 2002, the Company completed an amended agreement to reschedule the final U.S.\$440,000 in outstanding payments due pursuant to the San Simon Agreement. The Company 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 (paid – April, 2005).

These eleven mineral 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.

*Agreement with San Simon Resources LLC ("SSR")*

On April 15, 2003 SSR and the Company entered into an agreement by which the Company acquired from SSR an 80% interest in production from seven non-core concessions and the right to acquire one additional concession (known as the California concession) by incurring U.S.\$500,000 in mineral exploration expenditures over two years (incurred) and reimbursing SSR certain costs aggregating U.S.\$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 U.S. \$48,000 and issued 200,000 common shares to obtain a 100% interest in this concession, which is 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.\$1,000,000.

**EAGLECREST EXPLORATIONS LTD.**  
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**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 was originally required to pay U.S.\$100,000 prior to October 15, 2001 and issue 150,000 common shares (issued) to the optionor.

The optionor and the Company have subsequently 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 (paid).

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.

**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 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.

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 until production 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. Following the completion of cash option payments and issuance of shares, the agreement calls for annual payments until production of US\$20,000, commencing in fiscal 2005 to the optionor. Payment pertaining to fiscal 2006 has not yet been paid.

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.

**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 period ending balances referred to below are payable on demand and have arisen from the provision of services described.

**EAGLECREST EXPLORATIONS LTD.**  
Notes to the Consolidated Financial Statements  
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**5. RELATED PARTY TRANSACTIONS (continued)**

During the period ended December 31, 2005, the Company:

- incurred administration fees of \$15,000 (2004 - \$15,000) with an officer.
- incurred investor relations costs of \$29,367 (2004 - \$31,135) with a private company related by a director-in-common pursuant to a three year consulting agreement that calls for a monthly fee of U.S.\$8,000 for the first six months with a 5% increase each quarter thereafter expiring in February, 2007.
- incurred management fees of \$45,662 (2004 - \$36,621) with a private company related by a director-in-common pursuant to a three year management agreement that calls for a monthly management fee of U.S.\$10,000 for the first six months with a 5% increase each quarter thereafter expiring in February, 2007.
- incurred legal fees of \$15,405 (2004 - \$11,581) with a law firm in which an officer of the Company is a partner.

As at December 31, 2005, accounts payable and accrued liabilities is inclusive of \$26,253 (2004 – 23,466) due to a private company related by an officer.

As at December 31, 2005, accounts receivable and prepaids is inclusive of \$1,390 (2004 - \$4,788) in travel advances to a director.

**6. SHARE CAPITAL**

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

	December 31, 2005		September 30, 2005	
	# of Shares	Amount \$	# of Shares	Amount \$
Issued – Beginning of Period	197,699,161	42,772,462	146,624,761	36,903,461
Private placements	-	-	38,453,000	4,350,881
Shares issued for finder’s fees	-	-	122,400	-
Exercise of options	-	-	215,000	32,250
Exercise of warrants	950,000	110,295	12,284,000	1,485,870
	950,000	110,295	51,074,400	5,869,001
Issued – End of Period	198,649,161	42,882,757	197,699,161	42,772,462

**EAGLECREST EXPLORATIONS LTD.**  
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**6. SHARE CAPITAL (continued)**

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

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

	December 31, 2005	Weighted- Average Exercise Price	September 30, 2005	Weighted- Average Exercise Price
		\$		\$
Balance outstanding, beginning of period	14,485,000	0.15	9,050,000	0.15
Activity during the period:				
Options granted	-	-	5,650,000	0.15
Options cancelled/expired	-	-	-	-
Options exercised	-	-	(215,000)	0.15
Balance outstanding, end of period	<u>14,485,000</u>	<u>0.15</u>	<u>14,485,000</u>	<u>0.15</u>

ii) Details of stock options outstanding at December 31, 2005:

Number of shares	Option price	Expiry date
1,650,000	\$0.16	April 22, 2007
1,535,000	\$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
3,450,000	\$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
750,000	\$0.16	April 22, 2010
150,000	\$0.15	March 16, 2011
<u>14,485,000</u>		

As at December 31, 2005, the weighted average remaining contractual life is 2.86 years (2004 - 4.02 years).

**EAGLECREST EXPLORATIONS LTD.**  
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**6. SHARE CAPITAL (continued)**

**c) Share purchase warrants outstanding**

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

	December 31, 2005	Weighted- Average Exercise Price \$	September 30, 2005	Weighted - Average Exercise Price \$
Balance outstanding, beginning of period	94,851,535	0.13	85,525,035	0.16
Adjustment to opening balance	-	-	-	-
Activity during the period:				
Warrants issued	-	-	38,453,000	0.12
Warrants exercised	(950,000)	0.12	(12,284,000)	0.12
Warrants expired	(3,450,000)	0.13	(16,842,500)	0.23
Balance outstanding, end of period	<u>90,451,535</u>	<u>0.13</u>	<u>94,851,535</u>	<u>0.13</u>

ii) Details of share purchase warrants outstanding at December 31, 2005:

Number of shares	Exercise price	Expiry date
3,060,000	\$0.12	March 5, 2006
10,038,115	\$0.12	March 23, 2006
3,110,420	\$0.15	April 1, 2006
5,000,000	\$0.15	April 1, 2006
3,790,000	\$0.12	May 25, 2006
27,000,000	\$0.12	August 23, 2006
2,200,000	\$0.12	January 12, 2007
3,896,000	\$0.12	January 12, 2007
4,290,000	\$0.12	January 19, 2007
<u>28,067,000</u>	<u>\$0.12</u>	<u>May 5, 2007</u>
<u>90,451,535</u>		

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**6. SHARE CAPITAL**

**d) 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 period ended December 31, 2005, the Company proposed to issue a private placement of 14,860,875 units at US\$0.16 to raise US\$2,377,740 less finder's fees; each unit consists of a common share and a warrant to purchase an additional common share at US\$0.16 for a period of two years. The Company has received subscriptions for 10,794,000 units for a gross proceed of US\$1,727,040 (CAD\$1,942,962).

**e) Stock-based compensation**

At September 30, 2005, \$430,380 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 rates 3.07% -3.29%; expected dividend yield - Nil; expected stock price volatility 70% - 109%; and expected option life of 1.5 – 5.0 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.

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.

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**7. INCOME TAXES**

A reconciliation of income taxes at statutory rates is as follows:

	2005	2004
Loss for the year	\$ (1,433,839)	\$ (2,044,968)
Expected income tax (recovery)	(510,733)	(728,418)
Net adjustment for amortization of non-deductible amounts	88,817	318,945
Unrecognized benefit of non-capital losses	421,916	409,473
Total income taxes	\$ -	\$ -

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

	2005	2004
Future income tax assets:		
Mineral properties	\$ 380,310	\$ 380,310
Non-capital loss carryforwards	1,762,736	1,686,821
Capital losses	297,563	297,563
Equipment	20,960	13,661
	2,461,569	2,378,355
Valuation allowance	(2,461,569)	(2,378,355)
Net future tax assets	\$ -	\$ -

The Company has non-capital losses of approximately \$4.9 million (2004 - \$4.7 million) which may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire through to 2015. The Company also has capital losses of approximately \$830,000, which may be carried forward and applied against capital gains in future years. Subject to certain restrictions, the Company also has mineral property expenditures of approximately \$1 million available to reduce taxable income in future years. Future tax benefits which may arise as a result of these losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

**8. SUBSEQUENT EVENTS**

In addition to information disclosed elsewhere in these notes, the following occurred during the period subsequent to December 31, 2005:

- The Company issued 650,000 shares at US\$0.10 per share pursuant to the exercise of warrants.
- The Company issued 14,860,875 shares pursuant to a private placement at US\$0.16 per unit, with each unit consisting of a common share and a share purchase warrant. Each warrant is to be exercisable to acquire an additional common share at US\$0.16 for a period of two years. US\$228,774 in cash has been paid and 43,750 shares have been issued as finders' fees.