

EAGLECREST EXPLORATIONS LTD.

Consolidated Financial Statements

For the Six Months ended March 31, 2008

(Un-audited – Prepared by Management)



EAGLECREST EXPLORATIONS LTD.

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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 six months ended, March 31, 2008, 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 March 31, 2008 and September 30, 2007

	<u>March 31</u> <u>(Un-audited)</u>	<u>September 30</u> <u>(Audited)</u>
Assets	\$	\$
Current		
Cash	209,408	864,158
Receivables	83,215	98,562
Prepaid expenses and deposits	<u>135,821</u>	<u>77,636</u>
	428,444	1,040,356
Property, plant and equipment (note 3)	247,595	325,803
Deposit on equipment	256,975	250,000
Deferred general explorations (Note 4)	50,965	-
Resource properties (schedule 1 and note 5)	<u>42,053,106</u>	<u>38,903,501</u>
	<u><u>43,037,085</u></u>	<u><u>40,519,660</u></u>
Liabilities		
Current		
Accounts payable and accrued Liabilities	1,258,215	1,508,561
Loan payable (note 6)	<u>-</u>	<u>600,000</u>
	1,258,215	2,108,561
Convertible Debenture (note 7)	<u>477,775</u>	<u>421,757</u>
	<u>1,735,990</u>	<u>2,530,318</u>
Shareholders' Equity		
Share capital (note 9(a))	60,461,025	55,887,682
Share subscriptions (note 9(d))	1,609,596	2,003,570
Share subscriptions receivable	-	(163,000)
Contributed surplus (note 9(f))	2,855,739	2,715,544
Deficit	<u>(23,625,265)</u>	<u>(22,454,454)</u>
	<u>41,301,095</u>	<u>37,989,342</u>
	<u><u>43,037,085</u></u>	<u><u>40,519,660</u></u>

Nature of Operations and Going Concern (Note 1)

Approved by the Board of Directors:

"Paul Zdebiak"

Paul Zdebiak

"Hans Rasmussen"

Hans Rasmussen

See notes to the consolidated financial statements

EAGLECREST EXPLORATIONS LTD.
Consolidated Statements of Operations and Deficit
For the Three Months and Six Months Ended March 31, 2008 and 2007
(Un-audited – Prepared by Management)

	Three Months Ended Mach 31		Six Months Ended Mach 31	
	2008	2007	2008	2007
	\$	\$	\$	\$
Expenses:				
Accounting and audit	30,822	17,500	65,322	23,500
Administration	27,000	19,500	52,500	36,000
Advertising	2,750	35,736	10,200	60,658
Amortization	2,042	1,225	3,505	2,449
Bank charges	1,210	2,781	2,666	3,854
Consulting	4,999	66,239	14,711	73,574
Corporate development	164,859	106,705	325,342	178,237
Filing fees	15,528	13,693	54,801	13,693
Foreign exchange loss (gain)	111	(3,550)	(7,108)	(38,338)
Insurance	13,907	15,009	26,544	30,018
Interest on convertible debenture	32,196	-	63,915	-
Legal	8,172	16,478	23,826	27,374
Management fees	45,000	52,722	89,134	133,740
Office and printing	34,270	23,144	54,486	47,564
Shareholders information	18,424	10,048	31,205	14,596
Stock-based compensation	186,545	515,600	186,545	515,600
Transfer agent	10,399	2,679	12,209	4,980
Travel and promotion	78,604	90,131	173,070	189,883
Total expenses	676,838	985,640	1,182,873	1,317,382
Other item:				
Interest income	(1,727)	(2,129)	(12,062)	(12,167)
Net loss for the period	(675,111)	(983,511)	(1,170,811)	(1,305,215)
Deficit - beginning of period	(22,950,154)	(20,248,746)	(22,454,454)	(19,927,042)
Deficit - end of period	(23,625,265)	(21,232,257)	(23,625,265)	(21,232,257)
Loss per common share (note 2)	\$0.00	\$0.00	\$0.00	(\$0.01)
Weighted-average number of common shares outstanding	313,803,646	256,540,683	313,803,646	256,540,683

See notes to the consolidated financial statements

EAGLECREST EXPLORATIONS LTD.
Consolidated Statements of Cash Flows
For the Three Months and Six Months Ended March 31, 2008 and 2007
(Un-audited – Prepared by Management)

	Three Months Ended March 31		Six Months Ended March 31	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash provided by (used in):				
Operating activities				
Net loss for the period	(675,111)	(983,511)	(1,170,811)	(1,305,215)
Items not affecting cash:				
Accretion of convertible debenture	19,861	-	39,722	-
Amortization	2,042	1,225	3,505	2,449
Foreign exchange adjustments	18,417	-	19,271	-
Stock-based compensation	186,545	515,600	186,545	515,600
	<u>(448,246)</u>	<u>(466,686)</u>	<u>(921,768)</u>	<u>(787,166)</u>
Net change in non-cash working capital items:				
Receivables	(18,421)	(74,819)	178,347	(90,513)
Prepaid expenses and deposits	41,377	(273,669)	(68,135)	(281,584)
Accounts payable and accrued liabilities	807,574	798,291	(250,346)	474,588
	<u>382,284</u>	<u>(16,883)</u>	<u>(1,061,902)</u>	<u>(684,675)</u>
Financing activities				
Short term loan	-	-	(600,000)	-
Shares subscribed	453,596	-	453,596	-
Cash received for capital stock issued (net)	38,000	1,171,180	3,679,423	1,182,466
	<u>491,596</u>	<u>1,171,180</u>	<u>3,533,019</u>	<u>1,182,466</u>
Investing activities				
Property, plant and equipment expenditures	(7,734)	-	(22,151)	-
Deferred general explorations	(13,657)	-	(50,965)	-
Resource property expenditures	(1,593,254)	(999,309)	(3,052,751)	(2,458,424)
	<u>(1,614,645)</u>	<u>(999,309)</u>	<u>(3,125,867)</u>	<u>(2,458,424)</u>
Increase (decrease) in cash	(740,765)	154,988	(654,750)	(1,960,633)
Cash - beginning of period	<u>950,173</u>	<u>193,036</u>	<u>864,158</u>	<u>2,308,657</u>
Cash - end of period	<u><u>209,408</u></u>	<u><u>348,024</u></u>	<u><u>209,408</u></u>	<u><u>348,024</u></u>

Supplemental disclosure of non-cash financing and investing activities:

During the six months ended March 31, 2008, the Company paid \$285,358 cash and issued 19,230 common shares valued at \$2,500 for finders' fees in connection with a private placement.

During the six months ended March 31, 2008, equipment amortization of \$96,854 (2007: \$99,363) was recorded in resources property expenditures and \$138,174 (2007: \$223,594) in net gold concentrate sales were offset against resources property expenditures.

See notes to the consolidated financial statements

EAGLECREST EXPLORATIONS LTD.
Consolidated Schedule of Resource Property Costs

	(Audited) September 30, 2006 \$	Additions During the Year \$	(Audited) September 30, 2007 \$	Additions During the Period \$	(Un-audited) March 31, 2008 \$
Bolivia					
San Simon Zone					
Acquisition costs	2,528,459	68,206	2,596,665	12,734	2,609,399
Admin and office	193,576	23,994	217,570	26,898	244,468
Assays	398,745	68,001	466,746	6,752	473,498
Camp costs	1,768,017	28,690	1,796,707	10,061	1,806,768
Consulting fees	2,185,445	54,345	2,239,790	68,974	2,308,764
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	3,262	1,153,264
Environmental		1,848	1,848	6,644	8,492
Field costs	625,183	95,012	720,195	3,433	723,628
Geophysical & surveys	171,867	-	171,867	24,651	196,518
Professional fees	217,391	-	217,391	-	217,391
Sampling and analysis	132,529	-	132,529	-	132,529
Wages	589,341	115,518	704,859	10,910	715,769
Travel/transportation	482,661	21,778	504,439	13,392	517,831
Underground development	2,420,241	-	2,420,241	4,122	2,424,363
Vehicle maintenance	393,251	-	393,251	-	393,251
	<u>14,877,826</u>	<u>477,392</u>	<u>15,355,218</u>	<u>191,833</u>	<u>15,547,051</u>
Dona Amelia Zone					
Acquisition costs	104,211	30,741	134,952	16,071	151,023
Admin and office	782,451	141,803	924,254	71,287	995,541
Amortization	517,903	198,725	716,628	96,854	813,482
Assays	617,016	185,509	802,525	97,108	899,633
Camp costs	785,320	339,231	1,124,551	113,853	1,238,404
Consulting fees	1,909,323	487,698	2,397,021	160,651	2,557,672
Drilling	5,531,808	2,189,694	7,721,502	1,318,916	9,040,418
Environmental	170,653	30,952	201,605	17,438	219,043
Mapping	12,806	9,915	22,721	32,132	54,853
Equipment rental	778,362	250,306	1,028,668	102,236	1,130,904
Field costs	1,771,399	313,161	2,084,560	76,626	2,161,186
Geophysical & surveys	12,894	12,577	25,471	52,080	77,551
Supplies	70,063	76,292	146,355	12,839	159,194
Travel/transportation	535,792	137,955	673,747	66,823	740,570
Underground development	2,240,909	1,134,381	3,375,290	429,364	3,804,654
Wages	1,410,897	714,890	2,125,787	245,343	2,371,130
Recovery - gold concentrates	-	(471,864)	(471,864)	(138,174)	(610,038)
	<u>17,251,807</u>	<u>5,781,966</u>	<u>23,033,773</u>	<u>2,771,447</u>	<u>25,805,220</u>

EAGLECREST EXPLORATIONS LTD.
Consolidated Schedule of Resource Property Costs

	(Audited) September 30, 2006 \$	Additions During the Year \$	(Audited) September 30, 2007 \$	Additions During the Period \$	(Un-audited) March 31, 2008 \$
Marco Maria Zone					
Acquisition costs	261,408	28,970	290,378	33,463	323,841
Admin and office	-	-	-	5,982	5,982
Camp costs	-	-	-	6,288	6,288
Consulting	-	-	-	2,355	2,355
Equipment rental	-	-	-	1,614	1,614
Environmental	-	-	-	57	57
Professional fees	10,701	-	10,701	-	10,701
Field costs	-	-	-	713	713
Travel/transportation	-	-	-	550	550
Wages	-	-	-	1,364	1,364
	<u>272,109</u>	<u>28,970</u>	<u>301,079</u>	<u>52,386</u>	<u>353,465</u>
Dona Angela (Campo Nuevo) Zone					
Acquisition costs	174,596	8,546	183,142	37,236	220,378
Admin and office	-	987	987	15,189	16,176
Assays	-	9,066	9,066	-	9,066
Camp costs	-	1,573	1,573	23,194	24,767
Consulting	-	799	799	9,306	10,105
Equipment rental	-	-	-	22,380	22,380
Environmental	-	-	-	57	57
Field costs	-	9,422	9,422	11,184	20,606
Mapping	-	-	-	803	803
Professional fees	3,147	-	3,147	-	3,147
Travel/transportation	-	1,130	1,130	2,348	3,478
Wages	-	4,165	4,165	12,242	16,407
	<u>177,743</u>	<u>35,688</u>	<u>213,431</u>	<u>133,939</u>	<u>347,370</u>
Total	<u><u>32,579,485</u></u>	<u><u>6,324,016</u></u>	<u><u>38,903,501</u></u>	<u><u>3,149,605</u></u>	<u><u>42,053,106</u></u>

EAGLECREST EXPLORATIONS LTD.
Notes to the Consolidated Financial Statements
For the Six Months Ended March 31, 2008
(Un-audited – Prepared by Management)

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated under the laws of the Province of British Columbia on January 20, 1981 and its shares are listed for trading on the TSX Venture Exchange.

The Company is in the development stage and is in the process of exploring and developing its resource properties in Itenez Province, Bolivia and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for resource properties and related deferred exploration expenditures are dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development of the resource properties and upon future profitable production or proceeds from the disposition thereof.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At March 31, 2008, the Company had not yet achieved profitable operations, has accumulated losses of \$23,625,265 since its inception, has a working capital deficit of \$829,771 and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

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

Resource Properties

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

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

EAGLECREST EXPLORATIONS LTD.
Notes to the Consolidated Financial Statements
For the Six Months Ended March 31, 2008
(Un-audited – Prepared by Management)

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, along with costs related to the determination of the feasibility of a project, are expensed as incurred.

Property, plant and equipment

Property, plant and equipment is recorded at cost and amortized over their estimated useful economic lives using the declining balance method at annual rates of 30% for office equipment, automotive and field equipment. The Company has also constructed a rock crusher plant and recovery mill that are recorded at cost and amortized on a straight-line basis over five years.

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

Foreign Currency Translation

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

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

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

EAGLECREST EXPLORATIONS LTD.
Notes to the Consolidated Financial Statements
For the Six Months Ended March 31, 2008
(Un-audited – Prepared by Management)

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

Financial Instruments

The Company adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861, Financial instruments – Disclosure and Presentation and Section 3865, Hedges. These sections apply to fiscal years beginning on or after October 1, 2006 and provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives, and describe when and how hedge accounting may be applied. Section 1530 provides standards for the reporting and presentation of comprehensive income, which is defined as the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles. A statement of comprehensive income has not been presented as no components of comprehensive income have been identified and therefore have not affected the current or comparative period balances on the financial statements. Under these new standards, all financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of changes in the fair value of financial instruments depends on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, investments held to maturity and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, derecognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Transaction costs related to debt financings will be expensed in the period incurred.

The Company’s financial instruments consist of cash, accounts receivable, and accounts payable and accrued 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. Shares issued for consideration other than cash are valued at the quoted market price on the date the agreement to issue the shares was reached.

Stock-Based Compensation

The Company records a compensation cost attributable to all share options granted at fair value at the grant date using the Black-Scholes valuation model and the cost is expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

EAGLECREST EXPLORATIONS LTD.
Notes to the Consolidated Financial Statements
For the Six Months Ended March 31, 2008
(Un-audited – Prepared by Management)

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

Stock-Based Compensation *(continued)*

The Black-Scholes option valuation model requires the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

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 September 30, 2006, 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 Six Months Ended March 31, 2008
(Un-audited – Prepared by Management)

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

	March 31, 2008			Sept. 30/07
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Office Equipment	119,040	76,057	42,983	26,200
Field Equipment	40,964	38,314	2,650	3,118
Automotive	86,265	66,302	19,963	23,486
Recovery Mill	872,863	690,864	181,999	272,999
	1,119,132	871,537	247,595	325,803

4. DEFERRED GENERAL EXPLORATION

By an agreement dated November 16, 2007, the Company has a 50 year option to acquire an additional mineral concession in the San Simon zone in Bolivia, South America for US\$25,000 (paid) and US\$25,000 within six months of delivery of samples by the optionor. In order to maintain the agreement in good standing, the Company would be required to pay US\$25,000 per year thereafter until the commencement of commercial production. This agreement is subject to a 3% net smelter return royalty, of which the Company can purchase 1.5% for US\$1,000,000 on or before the end of two years after the commencement of commercial production.

At the end of the six month period, if the Company decides not to carry on with the long term option on the mineral concession, all deferred exploration costs will be written off at that time. In the event that the decision is to proceed, the mineral concession will be added to the Company's resource properties and all costs expended will be deferred as part of the Company's resource properties.

EAGLECREST EXPLORATIONS LTD.
Notes to the Consolidated Financial Statements
For the Six Months Ended March 31, 2008
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5. RESOURCE PROPERTIES

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

San Simon and Dona Amelia Zones

Pursuant to a formal joint venture agreement (the San Simon Agreement) executed in fiscal 1999 and subsequently amended, the Company owns the right to acquire 100% of all production from eleven mineral concessions. Total consideration paid to acquire this right was US\$600,000.

These eleven mineral concessions are subject to a 3% net smelter returns royalty, of which the Company can purchase 1% for U.S.\$500,000 and a second 1% for U.S.\$750,000.

On April 15, 2003 San Simon Resources Ltd. ("SSR") and the Company entered into an agreement by which the Company acquired from SSR an 80% interest in production from seven non-core mineral concessions and the right to acquire one additional mineral concession (known as the California concession) by incurring US\$500,000 in mineral exploration expenditures over two years (incurred) and reimbursing SSR certain costs aggregating US\$10,000 (paid).

The Company also entered into a separate agreement on June 9, 2003 with the underlying owner of the California concession whereby it paid US\$48,000 and issued 200,000 common shares to obtain a 100% interest in this concession.

These concessions are subject to a 3% net smelter returns royalty, of which the Company can purchase 1% for US\$500,000 and a second 1% for US\$1,000,000.

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

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. Total consideration paid to acquire this right was US\$50,000 plus the issuances of 650,000 common shares.

These concessions are subject to a 3% net smelter royalty of which the Company can purchase 1% for U.S.\$500,000 and a second 1% for U.S.\$1,000,000.

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5. RESOURCE PROPERTIES *(continued)*

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. The agreement also calls for annual payments until production of US\$20,000, commencing in fiscal 2005, to the optionor. Payments totaling \$40,000 have been paid to date and commencing in fiscal 2007, the annual payment has been renegotiated and lowered to US\$10,000.

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

6. LOAN PAYABLE

On March 21, 2007, the Company received a short-term bridge loan financing of US\$600,000 at an interest rate of 8% per annum. In October 2007, the entire US\$600,000 principal and outstanding interest of US\$25,677 was paid in full by the Company. In addition, 702,000 bonus common shares of the Company valued at \$0.145 per share were issued during the year ended September 30, 2007 to the lender. The total value of \$101,790 was recorded as interest on loan.

7. CONVERTIBLE DEBENTURE

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

The Company used the fair value method and recorded \$436,662 (US\$414,172) to the liability component and \$195,918 (US\$185,828) to the equity component as determined by the Black-Scholes Option Valuation Model with the following assumptions:

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7. CONVERTIBLE DEBENTURE *(continued)*

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

Over the term of the loan, the liability is accreted to its face value. During the period ended March 31, 2008, total interest recorded amounted to \$63,915 (US\$64,034); \$24,192 (US\$24,000) was included in accounts payable, and \$39,723 (US\$40,034) was accreted. At March 31, 2008, the accreted value of the convertible debenture payable is \$477,775 (US\$464,807).

8. RELATED PARTY TRANSACTIONS

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

During the period ended March 31, 2008:

- A director of the Company was paid or accrued \$71,977 (2007: \$82,288 for corporate development fees and one officer of the Company was paid or accrued \$52,500 (2007: \$36,000) for administration services.
- Two private company owned or controlled by a director and a former director of the Company was paid or accrued \$89,135 (2007: \$133,740) in management fees.
- A law firm of which an officer of the Company is a partner charged the Company \$23,826 (2007: \$27,374) for legal services. At March 31, 2008, this related party was owed \$33,508 (2007: \$34,970) for the unpaid portion of this amount, which is included in accounts payable.
- An officer of the Company and a company controlled by a director of the Company were paid or accrued \$84,437 for geological consulting services. At March 31, 2008, \$13,363 (2007: \$Nil) of this amount was included in accounts payable.

As at March 31, 2008, accounts payable include \$50,454 (2007: \$51,129) due to related parties.

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9. SHARE CAPITAL

a) Authorized share capital:

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

	<u>March 31, 2008</u>		<u>September 30, 2007</u>	
	<u>Number of Shares</u>	<u>\$</u>	<u>Number of Shares</u>	<u>\$</u>
Issued - Beginning of period	304,382,821	55,887,682	267,887,321	51,668,343
Private placements	36,783,283	4,699,351	1,987,500	335,866
Short-term loan bonus shares	-	-	702,000	101,790
Shares issued for finder's fees	19,230	2,500	-	-
Exercise of options	500,000	75,000	100,000	16,000
Exercise of option compensation	-	46,350	-	5,220
Exercise of warrants	250,000	38,000	33,706,000	3,789,863
Issue costs	-	(287,858) ⁽¹⁾	-	(29,400) ⁽²⁾
	<u>37,552,513</u>	<u>4,573,343</u>	<u>36,495,500</u>	<u>4,219,339</u>
Issued - End of period	<u>341,935,334</u>	<u>60,461,025</u>	<u>304,382,821</u>	<u>55,887,682</u>

(1) \$285,358 in cash was paid and 19,230 common shares valued at \$2,500 were issued as finders' fees.

(2) \$29,400 in cash was paid as a finder's fee.

b) Directors' and employees' stock options outstanding

i) The Company has a share option plan approved by the shareholders that allows it to grant options, subject to regulatory terms and approval, to its directors, employees, officers, and consultants. All options issued to date have vested immediately, effective the grant date.

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9. SHARE CAPITAL (continued)

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

	March 31, 2008	Weighted Average Exercise Price \$	September 30, 2007	Weighted Average Exercise Price \$
Balance outstanding - beginning of period	17,600,000	0.19	14,350,000	0.17
Activity during period:				
Options granted	2,250,000	0.17	4,000,000	0.27
Options cancelled/expired	(6,400,000)	0.17	(650,000)	0.16
Options exercised	(500,000)	0.15	(100,000)	0.16
Balance outstanding - end of period	<u>12,950,000</u>	<u>0.20</u>	<u>17,600,000</u>	<u>0.19</u>

iii) Details of stock options outstanding at March 31, 2008:

Number of Shares	Option Price	Expiry Date
500,000	\$ 0.150	June 10, 2008
500,000	\$ 0.150	October 10, 2008
2,650,000	\$ 0.150	April 6, 2009
2,750,000	\$ 0.150	December 24, 2009
400,000	\$ 0.160	January 31, 2010
500,000	\$ 0.160	April 22, 2010
300,000	\$ 0.455	September 13, 2011
3,700,000	\$ 0.270	January 4, 2012
300,000	\$ 0.270	January 9, 2012
1,350,000	\$ 0.180	January 8, 2013
<u>12,950,000</u>		

As at March 31, 2008, the contractual weighted average remaining life is 2.48 years (2007 - 2.42 years).

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9. SHARE CAPITAL (continued)

c) Share purchase warrants outstanding

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

	March 31, 2008	Weighted Average Exercise Price US\$		September 30, 2007	Weighted Average Exercise Price US\$
Balance outstanding - beginning of period	16,848,375	0.18		51,088,875	0.12
Activity during period:					
Warrants issued	36,783,283	0.26	(1)	1,987,500	0.30
Warrants exercised	(250,000)	0.15		(33,706,000)	0.10
Warrants expired	(14,810,875)	0.16		(2,522,000)	0.10
Balance outstanding - end of period	<u>38,570,783</u>	<u>0.30</u>		<u>16,848,375</u>	<u>0.18</u>

(1) US\$0.15 exercise price to May 14, 2008 then US\$0.30 exercise price to November 14, 2009.

(2) US\$0.20 exercise price to February 7, 2008 and US\$0.40 exercise price to August 7, 2009.

ii) Details of share purchase warrants outstanding at March 31, 2008:

Number of Shares	Exercise Price US\$	Expiry Date
1,987,500	0.40	August 7, 2009
<u>36,583,283</u>	0.15 / 0.30	May 14/08 / Nov 14/09
<u>38,570,783</u>		

As at March 31, 2008, the weighted average remaining contractual life is 1.61 year (2007: 0.36 years).

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9. SHARE CAPITAL (continued)

d) Share subscriptions

- During the year ended September 30, 2001, the Company proposed to enter into a private placement for the issuance of 2,000,000 units at \$0.50 per unit for proceeds of \$1,000,000, less a 7.5% finder's fee. Each unit is to consist of a common share and a two-year share purchase warrant to purchase an additional common share at \$0.50 per share in the first year and at \$0.60 per share in the second year. The Company has received subscriptions for 1,983,171 units (proceeds of \$925,000, net of related issue costs).
- During the year ended September 30, 2001, the Company entered into an agreement with a purchaser for a private placement of 770,000 units at \$0.30 per unit to raise \$231,000. Each unit was to be comprised of one common share and one share purchase warrant to purchase one common share at \$0.30 per share in the first year and at \$0.40 per share in the second year. The Company subsequently amended the terms of that private placement to 1,500,000 units at \$0.154 (US\$0.10) per unit, with each unit comprised of one common share and one share purchase warrant exercisable for two years to purchase one additional share for \$0.154 (US\$0.10).
- During the period ended March 31, 2008, the Company had proposed to issue a private placement of 10,000,000 units at a price of US\$0.12 each to raise aggregate gross proceeds of US\$1.2 million. The Company has received subscriptions for 3,779,967 units for gross proceeds of CAD\$453,596 (US\$453,596).

e) Stock-based compensation

Stock-based compensations of 186,545 were recorded during the six month period ended March 31, 2008 (2007: \$515,600). The fair value of stock options granted was estimated using the Black-Scholes option valuation model with the following assumptions; risk-free interest rate 3.00% - 3.50% (2007: 3.00%); expected dividend yield – Nil; expected stock price volatility 52.45% - 82.00% (2007: 88.60%); and expected option life of 2.5 years (2007: 2.5 years).

The Company recorded stock-based compensation during the year ended September 30, 2007 of \$680,000 (2006: \$465,765). The fair value of stock options granted was estimated using the Black-Scholes option valuation model with the following assumptions; risk-free interest rate 3.00% (2006: 3.00%); expected dividend yield – Nil; expected stock price volatility 88.6% (2006: 71-111%); and expected option life of 2.5 years (2006: 2 – 5 years).

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9. SHARE CAPITAL (continued)

f) Contributed Surplus

Continuity of contributed surplus is as follows:

	\$
Balance - September 30, 2006	1,844,846
Stock-based compensation	680,000
Options exercised	(5,220)
Equity portion of convertible debenture	195,918
Balance - September 30, 2007	2,715,544
Options exercised	(46,350)
Stock-based compensation	186,545
Balance - March 31, 2008	2,855,739

10. SEGMENTED INFORMATION

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

Assets	March 31, 2008	March 31, 2007
	\$	\$
Canada		
Assets other than mineral property interests	630,916	664,581
Mineral property interests	-	-
Bolivia		
Assets other than mineral property interests	353,073	632,995
Mineral property interests	42,053,106	35,137,272
Total Assets	43,037,085	36,434,848