



YANKEE HAT MINERALS LTD.

INTERIM UNAUDITED FINANCIAL STATEMENTS

For the three month periods ended October 31, 2010 and 2009

(Prepared by management without audit)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of the interim financial statements by an entity's auditor.

"Brad Kitchen"

P. Bradley Kitchen
President and Director

YANKEE HAT MINERALS LTD.
BALANCE SHEETS
(Prepared by management without audit)

	Notes	October 31, 2010	July 31, 2010
Assets			
Current			
Cash		\$ 237,582	\$ 482
Value added tax		9,665	6,625
Prepaid expenses	8	29,820	21,320
		277,067	28,427
Environmental reclamation deposits	4	20,000	20,000
Equipment and exploration database	5	41,516	44,097
Mineral properties and deferred exploration expenditures	6, 8	4,707,250	4,684,265
		\$ 5,045,833	\$ 4,776,789
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 311,730	\$ 701,021
Due to related party	8	436,080	605,340
		747,810	1,306,361
Shareholders' Equity			
Share capital	7	17,657,201	16,732,663
Contributed surplus		1,238,646	1,213,460
Deficit		(14,597,824)	(14,475,695)
		4,298,023	3,470,428
		\$ 5,045,833	\$ 4,776,789
Basis of presentation	1		
Commitments and contingency	4, 6, 7, 8, 10		
Subsequent events	7		

APPROVED BY THE DIRECTORS:

"Terence Schorn" Director
Terence Schorn

"Bradley Kitchen" Director
Bradley Kitchen

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

YANKEE HAT MINERALS LTD.
STATEMENTS OF CHANGES IN EQUITY
(Prepared by management without audit)

	Notes	Number of Shares	Share Capital	Contributed Surplus	Deficit	Shareholders' Equity
Balance - July 31, 2009		86,109,724	16,641,944	918,296	(13,669,009)	3,891,231
Shares issued for mineral property		2,222,222	77,778	-	-	77,778
Shares issued pursuant to private placements		1,900,000	95,000	-	-	95,000
Future income taxes on flow-through shares		-	(82,059)	-	-	(82,059)
Stock-based compensation		-	-	295,164	-	295,164
Net loss for the period		-	-	-	(806,686)	(806,686)
Balance - July 31, 2010		90,231,946	\$ 16,732,663	\$ 1,213,460	\$ (14,475,695)	\$ 3,470,428
Private placements, net of share issuance costs	7	19,249,204	924,538	25,186	-	949,724
Net loss for the period		-	-	-	(122,129)	(122,129)
Balance - October 31, 2010		109,481,150	\$ 17,657,201	\$ 1,238,646	\$ (14,597,824)	\$ 4,298,023

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

YANKEE HAT MINERALS LTD.
STATEMENTS OF OPERATIONS AND DEFICIT
(Prepared by management without audit)

For the three months ended October 31,	Notes	2010	2009
General and administrative expenses			
Amortization	\$	2,581	\$ 3,826
Commissions and finders' fees		-	10,000
Consulting	8	6,553	12,000
Filing, transfer agent and shareholder reporting		7,586	763
Interest	8	4,238	1,373
Investor relations		9,572	7,500
Management fees	8	66,065	40,167
Occupancy costs	8	13,518	10,071
Office administration and miscellaneous		5,642	4,762
Professional fees		576	1,820
Travel		5,798	114
Loss before undernoted income (expenses)		(122,129)	(92,396)
Operators' fees		-	24,838
Net loss and comprehensive loss for the period		\$ (122,129)	\$ (67,558)
Net loss per share, basic and diluted		\$ (0.001)	\$ (0.001)
Weighted average common shares outstanding		92,629,133	86,109,724

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

YANKEE HAT MINERALS LTD.
STATEMENTS OF CASH FLOWS
(Prepared by management without audit)

For the three months ended October 31,	2010	2009
Cash derived from (applied to)		
Operating activities		
Net loss for the period	\$ (122,129)	\$ (67,558)
Operating items not involving cash:		
Amortization	2,581	3,826
	(119,548)	(63,732)
Changes in non-cash working capital items:		
Amounts receivable	-	3,000
Value added tax	(3,040)	943
Exploration advances	-	114,219
Prepaid expenses	(8,500)	21,792
Accounts payable and accrued liabilities	(196,020)	(19,420)
Exploration advances received	-	(318,429)
Related parties payable	(169,260)	-
Rent advances received	-	7,143
Loan payable	-	39,664
	(496,368)	(214,820)
Financing activities		
Proceeds from private placements	949,724	-
Investing activities		
Mineral properties	(216,256)	(17,153)
Increase (decrease) in cash and cash equivalents	237,100	(231,973)
Cash and cash equivalents		
Beginning of period	482	257,393
End of period	\$ 237,582	\$ 25,420
Cash and cash equivalents, end of period comprise:		
Cash	\$ 237,582	\$ 5,420
Cashable guaranteed investment certificates	\$ -	\$ 20,000

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

YANKEE HAT MINERALS LTD.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the three months ended October 31, 2010 and 2009

(Prepared by management without audit)

Note 1 Nature of Operations

Yankee Hat Minerals Ltd. ("Yankee Hat" or the "Company") is incorporated under the laws of British Columbia and its principal business is the acquisition, exploration and development of precious and strategic metals properties in Canada. The Company currently has mineral exploration projects in British Columbia and in the Yukon. The Company is listed on the TSX Venture Exchange under the symbol "KHT".

Note 2 Basis of Presentation and Ability to Continue as a Going Concern

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of the Company's mineral properties and deferred exploration expenditures and the Company's continued existence is dependent upon the preservation of its interests in the underlying mineral properties, the discovery of economically recoverable reserves, the achievement of profitable operations and the ability of the Company to raise financing and or dispose of its mineral property interests on an advantageous basis.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business for the Company's next fiscal year. As at October 31, 2010, the Company had cash of \$237,582 and a working capital deficit of \$470,742, which casts substantial doubt on the Company's ability to continue as a going concern. Therefore the Company's future ability to meet its obligations and carry out exploration activities is uncertain and dependent upon its ability to obtain additional financing, sell its assets and or enter into favorable joint venture agreements. Realization values may be substantially different from the carrying values 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.

All amounts, unless otherwise noted, are in Canadian dollars.

Note 3 Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with the prior year.

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 disclosure of contingent assets and liabilities as at October 31, 2010 and the reported amount of expenses during the three months then ended. Actual results could differ from those estimates. Significant estimates used in the preparation of these financial statements include, but are not limited to, recoverability of receivables, accounting for stock-based compensation, impairment of mining claims and deferred exploration costs, the physical and economic lives of equipment the determination of the likelihood that future income tax benefits can be realized and valuation allowances applied against future tax assets.

Yankee Hat Minerals Ltd.
Notes to the Annual Financial Statements
For the three months ended October 31, 2010 and 2009
(Prepared by management without audit)

Note 3 Significant Accounting Policies – (cont'd)

The accounting policies followed by the Company are set out in Note 3 to the audited financial statements for the year ended July 31, 2010 and have been consistently followed in preparation of these interim financial statements.

Note 4 Environmental Reclamation Deposits

The Company has posted term deposits pledged in favour of regulatory authorities as security for compliance with planned exploration expenditures on the Fran property which should be released to the Company upon satisfactory completion of that work.

Note 5 Equipment and Exploration Data

	Computer equipment	Exploration database	Exploration equipment	Vehicle	Total
Cost					
At July 31, 2009	\$ 615	\$ 28,000	\$ 49,755	\$ 29,425	\$ 107,795
Write-off	-	(28,000)	-	-	(28,000)
At July 31, 2010	615	-	49,755	29,425	79,795
Additions	-	-	-	-	-
At October 31, 2010	615	-	49,755	29,425	79,795
Accumulated Amortization					
At July 31, 2009	111	4,106	12,931	8,910	26,058
Charge for the period	227	1,434	7,365	6,154	15,180
Disposals	-	(5,540)	-	-	(5,540)
At July 31, 2010	338	-	20,296	15,064	35,698
Charge for the period	31	-	1,473	1,077	2,581
At October 31, 2010	369	-	21,769	16,141	38,279
Net book value					
At July 31, 2009	504	23,894	36,824	20,515	81,737
At July 31, 2010	277	-	29,459	14,361	44,097
At October 31, 2010	\$ 246	\$ -	\$ 27,986	13,284	\$ 41,516

Note 6 Mineral Properties and Deferred Exploration Expenditures

	Balance July 31, 2010		Additions	Balance October 31, 2010	
Acquisition costs:					
Fran Property	\$	419,500	\$ -	\$	419,500
Kidlark Property		-	-		-
Lancer Property		659,314	-		659,314
Selwyn Properties		38,800	-		38,800
Union Mine Property		169,165	15,000		184,165
		1,286,779	15,000		1,301,779
Exploration costs:					
Fran Property		3,009,767	7,985		3,017,752
Kidlark Property		249,949	-		249,949
Selwyn Properties		36,541	-		36,541
Union Mine Property		101,229	-		101,229
		3,397,486	7,985		3,405,471
	\$	4,684,265	\$ 22,985	\$	4,707,250

a) Fran Property:

The Company entered into an option agreement whereby it has earned a 100% interest in three mineral claims located in the Omineca Mining Division, Province of British Columbia subject to a 2% net smelter return royalty ("NSR") and the payment of an additional \$30,000 per year in future royalty payments beginning March 31, 2009. At October 31, 2010 \$60,000 for future royalty payments due March 31, 2009 and March 31, 2010 are included in accounts payable.

The Company may reduce the 2% NSR to a 1% NSR by paying \$2,000,000 in cash.

After entering into the agreement above, the Company staked an additional 12 mineral claims contiguous to the original three.

b) Kidlark Property:

During the year ended July 31, 2009, the Company entered into an asset purchase agreement to purchase a 100% interest in a group of 102 mineral claims located in the Pelly Mountains approximately 90km northeast of Whitehorse, Yukon from a company having a common director and officer for consideration of \$662,000. The Company also entered into a joint venture agreement with a Japanese government corporation ("JOGMEC") whereby JOGMEC acquired a 60% joint venture interest in the properties by agreeing to contribute 60% of future expenditures as payment for their interest. JOGMEC's funding of the JOGMEC Joint Venture had been recorded as a recovery of acquisition and exploration costs.

Note 6 **Mineral Properties and Deferred Exploration Expenditures – (cont'd)**

Pursuant to the terms of this joint venture agreement the Company and its joint venture partner, JOGMEC, were each responsible for their share of the combined expenditures on the Kidlark Property and the Selwyn Properties (the "JOGMEC Joint Venture"). Should one party have failed to meet its share of the combined exploration costs then its joint venture interest would be diluted down on a pro-rata basis until such time as the joint venture interest was diluted to below 10% when that party's interest would be converted into a 1% NSR.

The Company was the operator under the JOGMEC Joint Venture pursuant to which it earned an operating fee on any exploration expenditures. There were no operating fees for the three months ended October 31, 2010 (three months ended October 31, 2009 - \$24,838). As the income from operating the JOGMEC Joint Venture was not related to the Company's primary business of exploring and mining mineral properties the net operator income has been shown under other income and not as revenue and expense on the statement of operations. .

On September 30, 2010, the JOGMEC Joint Venture was terminated. Since acquiring its initial joint venture interest, the Company had not contributed its full share of exploration costs related to the JOGMEC Joint Venture. The Company's joint venture interest in each of the Kidlark and Selwyn properties had been diluted down to approximately 25% by the termination date, at which time JOGMEC transferred their 75% ownership of the joint venture to the Company, giving the Company undivided 100% ownership of the properties. In exchange, the Company granted JOGMEC an option to repurchase a 75% joint venture interest in the properties until August 1, 2014 for the sum of \$1 plus two times the amount of any exploration expenditures incurred by the Company after September 30, 2010.

c) Lancer Property:

The Company entered into an option agreement whereby it has earned a 100% interest in a group of contiguous rare earth element properties located in south central Yukon, subject to a 2% net smelter return royalty to the vendors. The properties consist of 31 mineral claims located in the Watson Lake region of the Yukon. The Company earned the 100% interest by issuing a total of 6,666,666 common shares.

d) Selwyn Properties:

During the year ended July 31, 2008, the Company acquired an initial 40% joint venture interest in a group of 299 mineral claims from a company having a common director and officer. These claims are located in several property groups throughout mid-central Yukon.

The Selwyn Properties were subject to the JOGMEC Joint Venture which was terminated September 30, 2010 giving the Company a 100% interest in the properties, see note 6 (b) above.

Note 6 **Mineral Properties and Deferred Exploration Expenditures – (cont'd)**

e) Union Mine Property:

During the year ended July 31, 2007 the Company acquired an undivided 100% interest in sixteen mineral claims located in the Greenwood Mining Division, Province of British Columbia. Twelve of these claims are subject to a 1.5% NSR, subject to a maximum of \$250,000 in NSR payments from eleven of the claims.

Also during the year ended July 31, 2007 the Company acquired an option to earn a 100% interest in an additional 27 mineral claims contiguous to these claims, and fully satisfied this option by paying a total of \$90,000, issuing 175,000 common shares and incurring exploration expenditures of over \$100,000. This agreement is subject to a 1.5% net smelter return royalty, subject to a maximum of \$1,000,000.

Note 7 **Share Capital**

a) Authorized:

Unlimited number of common and preferred shares

b) Issued:

In August 2010, the Company closed a private placement consisting of 6,300,000 units at a price of \$0.05 per unit for gross proceeds of \$315,000. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one common share at \$0.20 until August 24, 2011. In connection with this private placement the Company paid \$28,350 and issued 567,000 warrants, with an exercise price of \$0.10 until August 24, 2011, to finders.

In September 2010, the Company closed a private placement consisting of 11,052,270 units at a price of \$0.05 per unit for gross proceeds of \$552,613 and 1,896,934 flow-through units at a price of \$0.075 per unit for gross proceeds of \$142,270. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one common share at \$0.20 until September 9, 2011. In connection with this private placement the Company paid fees of \$31,809 and issued 516,024 warrants with an exercise price of \$0.10 until September 9, 2011.

Subsequent to October 31, 2010, the Company closed a private placement consisting of 13,333,333 flow-through units at a price of \$0.075 per unit for gross proceeds of \$1,000,000. Each unit consisted of one common share and one-half of one common share purchase warrant where each whole warrant entitles the holder to purchase one common share at \$0.12 until June 3, 2012. In connection with this private placement the Company paid an agent \$87,500 and issued 1,139,999 agent warrants which entitles the agent to purchase a units at an exercise price of \$0.10 per unit until June 3, 2012. Each agent unit is comprised of one share and one-half of a non-transferable share purchase warrant where each whole warrant will entitle the holder to purchase an additional share at a price of \$0.12 until June 3, 2012.

Note 7 Share Capital – (cont'd)

c) Stock Options:

Under the Company's stock option plan, the total number of share purchase options to be granted and outstanding may not exceed 10% of the total issued and outstanding common shares at the date of grant. Options are granted with an exercise price at the market price, less permitted discounts on the grant date, vest according to privileges set at the time the option is granted and must expire no later than five years from the date of grant.

During the three month period ended October 31, 2010, the Company entered into an agreement with an investor relations company whereby the Company agreed to pay a fee of \$3,000 per month and issue 250,000 stock options to acquire an equal number of common shares at \$0.10 per share. These options expire on September 1, 2012 and vest each quarter with the first quarterly vesting being December 1, 2010.

As at October 31, 2010, the following stock options are exercisable into an equal number of common shares:

Number Outstanding	Exercise Price	Expiry Date
500,000	\$0.10	June 1, 2011
330,000	\$0.12	October 13, 2011
700,000	\$0.10	June 1, 2012
750,000	\$0.10	June 21, 2012
250,000 ⁽¹⁾	\$0.10	September 1, 2012
550,000	\$0.15	March 16, 2013
700,000	\$0.10	May 31, 2014
3,100,000	\$0.10	June 1, 2015
<hr/>		
6,880,000		

(1) Twenty-five percent of these options vest each quarter with the first quarterly vesting being December 1, 2010.

Stock option activity for the respective periods is as follows:

	October 31, 2010		July 31, 2010	
	Number	Weighted Avg. Exercise Price	Number	Weighted Avg. Exercise Price
Options outstanding, beginning of period	6,630,000	\$ 0.11	2,730,000	\$ 0.13
Granted	250,000	0.10	5,000,000	0.10
Cancelled	-	-	(1,100,000)	0.15
Options outstanding, end of year	<u>6,880,000</u>	0.10	<u>6,630,000</u>	0.11
Options exercisable, end of period	<u>6,630,000</u>	\$ 0.11	<u>6,630,000</u>	\$ 0.11

Note 7 Share Capital – (cont'd)

c) Stock Options: (cont'd)

The weighted average life remaining of the options outstanding at October 31, 2010 is 3.11 years (July 31, 2010 – 3.41).

During the three-month period ended October 31, 2010, stock-based compensation expense was \$nil (2009: \$nil).

d) Share Purchase Warrants:

Warrant activity for the respective periods is as follows:

	October 31, 2010		July 31, 2010	
	Number	Weighted Avg. Exercise Price	Number	Weighted Avg. Exercise Price
Warrants outstanding, beginning of period	-	\$ -	-	\$ -
Issued	20,332,228	0.19	-	-
Warrants outstanding, end of period	<u>20,332,228</u>	\$ 0.19	<u>-</u>	\$ -

Warrants outstanding and exercisable at October 31, 2010 are as follows:

Number of Full Share Equivalent Warrants	Price Per Share	Expiry Date
6,300,000	\$ 0.20	August 24, 2011
567,000	\$ 0.10	August 24, 2011
12,949,204	\$ 0.20	September 29, 2011
516,024	\$ 0.10	September 29, 2011
<u>20,332,228</u>		

Note 8 Related Party Transactions

Related party transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the related party and the Company.

In addition to those noted elsewhere in these financial statements, the Company had the following transactions with related parties.

During the three months ended October 31, 2010 the Company incurred \$57,500 (2009 - \$40,500) in management fees paid to various officers, directors and private companies controlled by them. The Company also incurred \$7,500 (2009 - \$7,500) in consulting fees by a private company with a director and officer in common. Occupancy costs of \$13,518 (2009 - \$10,071) were paid to various companies with officers and directors in common.

Note 8 **Related Party Transactions – (cont'd)**

As at October 31, 2010, prepaid expenses included a rent deposit and prepaid rent of \$11,320 (July 31, 2010 - \$9,820) paid to a company with a director in common with the Company.

Included in due to related parties is \$149,141 (July 31, 2010 - \$322,675) in unsecured, non-interest bearing loans with no specific terms of repayment from officers, directors and companies with directors and officers in common. Amounts due to related parties also include \$286,940 (2009 - \$282,665) in loans from a company with directors and officers in common which is unsecured, has no specific terms of repayment but bears interest at 6%,

Note 9 **Comparative Figures**

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation

Note 10 **Contingency**

The Company has been named in a claim commenced in the Supreme Court of British Columbia by Manto Resources Ltd. ("Manto") on January 6, 2009 against the Company and various vendors of the Fran property (Note 6(a)) alleging that the Company breached its duties owed to Manto in entering into the option agreement while negotiating a joint venture with Manto. No amount has been specified in the claim and management believes the claim is without merit and intends to defend the action.