



YANKEE HAT MINERALS LTD.

INTERIM FINANCIAL STATEMENTS

For the nine month period ended April 30, 2008

(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.

Interim Balance Sheets

(Prepared by management without audit)

	April 30, 2008	(restated - note 12) July 31, 2007
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 36,799	\$ 373,832
Accrued interest receivable	720	1,436
Goods and Services Tax receivable	39,549	123,967
Prepaid expenses (note 9)	29,613	37,614
	<u>106,680</u>	<u>536,849</u>
Equipment (note 4)	7,484	10,007
Advances on resource properties (note 5)	30,000	-
Resource properties	4,238,626	3,263,023
	<u>\$ 4,382,790</u>	<u>\$ 3,809,879</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (note 9)	\$ 433,893	\$ 326,214
Short term loans payable	411,083	-
	<u>844,976</u>	<u>326,214</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (notes 7 and 12)	14,024,902	13,411,072
CONTRIBUTED SURPLUS (notes 7, 8 and 12)	664,194	306,052
DEFICIT	(11,151,283)	(10,233,459)
	<u>3,537,814</u>	<u>3,483,665</u>
	<u>\$ 4,382,790</u>	<u>\$ 3,809,879</u>

Nature of Operations (note 1)
Basis of Presentation (note 2)
Commitments (notes 5 and 6)
Subsequent Events (note 11)

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.

Interim Statements of Operations and Deficit
For the three and nine months ended April 30, 2008 and 2007
(Prepared by management without audit)

	For the three months ended		For the nine months ended	
	April 30,		April 30,	
	2008	2007	2008	2007
ADMINISTRATIVE EXPENSES				
Amortization	\$ 740	\$ 1,379	\$ 2,523	\$ 4,091
Consulting	22,677	2,000	54,927	24,050
Directors fees	-	-	-	2,500
Filing and transfer agent fees	5,805	3,204	27,527	25,974
Investor relations	25,448	10,526	86,036	90,884
Management fees (note 9)	62,750	27,000	178,500	81,000
Occupancy costs	6,000	3,210	15,350	9,750
Office administration & miscellaneous	4,493	12,495	17,063	34,386
Professional fees	32,802	29,500	87,337	109,588
Stock based compensation (note 7 and 8)	62,283	1,225	379,957	3,675
Travel	8,011	6,798	31,680	10,131
	231,009	97,337	880,900	396,029
OTHER (INCOME) AND EXPENSES				
Foreign exchange (gain) loss	-	-	-	1,273
Interest income	(294)	(18,636)	(1,859)	(30,222)
Reconnaissance	38,782	-	38,782	-
Resource properties written off	-	344,793	-	344,793
	(269,497)	(423,494)	(917,824)	(711,873)
NET LOSS FOR THE PERIOD	(269,497)	(423,494)	(917,824)	(711,873)
DEFICIT, BEGINNING OF PERIOD	10,881,785	9,864,245	10,233,459	9,575,866
DEFICIT, END OF PERIOD	\$ 11,151,283	\$ 10,287,739	\$ 11,151,283	\$ 10,287,739
BASIC AND DILUTED NET LOSS PER SHARE FOR THE PERIOD	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	52,090,872	37,694,166	49,882,399	37,694,166

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

YANKEE HAT MINERALS LTD.

Interim Statements of Cash Flows

For the three and nine months ended April 30, 2008 and 2007

(Prepared by management without audit)

	For the three months ended April 30,		For the nine months ended April 30,	
	2008	2007	2008	2007
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net loss for the period	\$ (269,497)	\$ (423,494)	\$ (917,824)	\$ (711,873)
Operating items not involving cash:				
Amortization	740	1,379	2,523	4,091
Resource property written-off	-	344,793	-	344,793
Stock based compensation	62,283	1,225	379,957	3,675
	<u>(206,474)</u>	<u>(76,097)</u>	<u>(535,344)</u>	<u>(359,314)</u>
 Change in non-cash operating working capital	 706,928	 336,621	 611,897	 218,215
	<u>500,454</u>	<u>260,524</u>	<u>76,553</u>	<u>(141,099)</u>
 FINANCING ACTIVITIES				
Issuance of common shares for cash	-	47,850	616,500	1,436,180
Share issuance costs	-	2,284	(40,985)	(114,633)
	<u>-</u>	<u>50,134</u>	<u>575,515</u>	<u>1,321,547</u>
 INVESTMENT ACTIVITIES				
Acquisition of equipment	-	-	-	(636)
Advances on resource properties	-	-	(30,000)	-
Resource property acquisition costs	(100,000)	(80,000)	(222,592)	(145,000)
Deferred exploration costs	(567,737)	(892,973)	(736,511)	(1,302,615)
	<u>(667,737)</u>	<u>(972,973)</u>	<u>(989,103)</u>	<u>(1,448,251)</u>
 NET INCREASE (DECREASE) IN CASH	 (167,283)	 (662,315)	 (337,033)	 (267,803)
 CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	 204,082	 1,055,770	 373,832	 661,259
 CASH AND CASH EQUIVALENTS, END OF PERIOD	 <u>\$ 36,799</u>	 <u>\$ 393,455</u>	 <u>\$ 36,799</u>	 <u>\$ 393,455</u>
 SUPPLEMENTAL CASH FLOW INFORMATION				
Interest paid	\$ -	\$ 160	\$ -	\$ 638
Income taxes paid	\$ -	\$ -	\$ -	\$ -

Non-cash transaction (note 13)

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

YANKEE HAT MINERALS LTD.

Notes to the Interim Financial Statements For the nine month period ended April 30, 2008 (Prepared by management without audit)

1. NATURE OF OPERATIONS

The Company is in the process of exploring its resource properties and has not yet determined whether the resource properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for the resource properties and related deferred exploration costs 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 and upon future profitable production or proceeds from the disposition thereof.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Canadian generally accepted accounting principals 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. The Company's ability to meet its obligations as they fall due and to continue to operate as a going concern is dependent on the continued financial support of the creditors and the shareholders and ultimately, the attainment of profitable operations. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

At April 30, 2008, the Company has an accumulated operating deficit of \$11,151,283 (2007 as restated - \$10,233,459) and working capital deficit of \$738,296 (2007 - surplus of \$89,652).

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies.

Resource Property Interests

All costs related to the acquisition, exploration and development of resource property interests are capitalized on a property-by-property basis. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit-of-production method. When a property is abandoned, all related costs are written-off to operations. If, after management review, it is determined that the carrying amount of a property is impaired, that property is written down to its estimated value. Resource properties are reviewed annually for impairment or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for resource properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

YANKEE HAT MINERALS LTD.

Notes to the Interim Financial Statements For the nine month period ended April 30, 2008 (Prepared by management without audit)

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Long-Lived Assets Impairment

Long-lived assets of the Company are reviewed when changes in circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the future projected cash flows from related operations (undiscounted and without interest charges). If impairment is deemed to exist, the assets will be written down to fair value.

Asset Retirement Obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. This would include obligations related to future removal of property and equipment, and site restoration costs. The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recorded on a declining balance basis over their estimated useful lives at the following annual rates:

Computer equipment	- 45%
Exploration equipment	- 20%

Basic and Diluted Earnings (Loss) Per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

Use of Estimates

The preparation of financial statements in conformity with generally accepted principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Actual results could differ from those estimates. The significant areas requiring management estimates include the estimated useful life of equipment and the recoverability of resource properties.

YANKEE HAT MINERALS LTD.

Notes to the Interim Financial Statements For the nine month period ended April 30, 2008 (Prepared by management without audit)

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Stock-Based Compensation

The Company follows CICA Section 3870 "Stock-Based Compensation and Other Stock-Based Payments" to account for stock-based compensation expense using the fair value based method with respect to all stock based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments, granted on or after January 1, 2004. Under this standard, stock-based payments are recorded as an expense over the vesting period with a corresponding increase to contributed surplus. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to capital stock.

Flow-Through Common Shares

Under the terms of flow-through share agreements, the related expenditures are renounced to the subscribers of such shares. In March 2004, the CICA issued Emerging Issue Committee Abstract No. 146, Flow-through Shares, which clarifies the recognition of previously unrecorded future income tax assets caused by renouncement of expenditures relating to flow-through shares. For flow-through shares issued after March 19, 2004, the Company records the tax effect related to the renounced deductions as a reduction of income tax expense (recovery of future income tax asset) in the statement of operations and as a reduction in share capital in the balance sheet on the date that the Company renounces the deductions for investors.

Financial Instruments

The carrying value of the Company's financial instruments, consisting of cash and cash equivalents, prepaid expenses, receivables and accounts payable and accrued liabilities approximate their fair value due to the short-term maturity of such instruments.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Foreign Currency Translation

The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated into Canadian dollar equivalents at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at the average exchange rate for the period except for amortization which is translated at the historical rate. Exchange gains and losses arising on translation are included in the statement of operations.

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments that are readily convertible to cash.

YANKEE HAT MINERALS LTD.

Notes to the Interim Financial Statements

**For the nine month period ended April 30, 2008
(Prepared by management without audit)**

4. EQUIPMENT

	As at April 30, 2008		
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Computer Equipment	20,672	15,844	4,828
Exploration Equipment	5,740	3,084	2,656
	<u>26,412</u>	<u>18,928</u>	<u>7,484</u>

	As at July 31, 2007		
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Computer Equipment	20,672	13,763	6,909
Exploration Equipment	5,740	2,642	3,098
	<u>26,412</u>	<u>16,405</u>	<u>10,007</u>

5. ADVANCE ON MINERAL PROPERTIES

On December 21, 2007, the Company began negotiations to enter into a Letter of Intent ("LOI") to acquire a mineral property known as the Lobo Del Norte claims located in the Yukon territory. The Company has paid \$30,000 into a trust account held by legal counsel for the vendor as a commitment to negotiate in good faith. The Company has entered into the LOI, and accordingly, this money was released to the vendor (note 6d).

6. RESOURCE PROPERTIES

	April 30, 2008			
	Acquisition Cost \$	Deferred Exploration Cost \$	Written-off \$	Net Book Value \$
Fran Property	359,500	2,985,401	-	3,344,901
Union Mine Property	131,092	101,229	-	232,321
George's Lake Property	107,500	224,869	-	332,369
Lobo Del Norte Claims	-	329,035	-	329,035
	<u>598,092</u>	<u>3,640,534</u>	-	<u>4,238,626</u>

YANKEE HAT MINERALS LTD.

Notes to the Interim Financial Statements
For the nine month period ended April 30, 2008
(Prepared by management without audit)

6. RESOURCE PROPERTIES, continued

	July 31, 2007			Net Book Value \$
	Acquisition Cost \$	Deferred Exploration Cost \$	Written-off \$	
Fran Property	243,000	2,796,487	-	3,039,487
Lever Lake Property	82,368	202,446	(284,814)	-
Thelon Basin Property	44,868	15,112	(59,980)	-
Union Mine Property	116,000	94,036	-	210,036
Reclamation bonds	-	13,500	-	13,500
	486,236	3,121,581	(344,794)	3,263,023

a) Fran Property:

By agreement dated March 31, 2004, the Company has earned a 70% interest in three mineral claims located in the Omineca Mining Division, Province of British Columbia and has the right to earn an additional 30% interest. With the March 31, 2008 cash and share payment, the Company has earned 100% of the property.

In consideration, the Company agreed to:

- i) pay \$30,000 (paid) and issue 50,000 common shares on or before October 28, 2004 (issued);
- ii) pay \$30,000 (paid) and issue 75,000 common shares on March 31, 2005 (issued);
- iii) pay \$40,000 (paid) and issue 75,000 common shares on March 31, 2006 (issued);
- iv) pay \$80,000 (paid) and issue 75,000 common shares on March 31, 2007 (issued);
- v) pay \$100,000 (paid) and issue 150,000 common shares on March 31, 2008 (issued) and an additional \$30,000 by each subsequent anniversary as an advance against future royalty payments; and
- vi) a 2% net smelter return royalty.

Upon completion of the cash payment of \$100,000 and the issuance of 150,000 shares as per (v), the Company will earn the remaining 30% interest. The Company may reduce the royalty by 1% by paying \$2,000,000 in cash.

During the year ended July 31, 2007, the Company staked an additional 12 mineral claims. During the nine month period ended April 30, 2008, the Company continued its exploration program on the property.

YANKEE HAT MINERALS LTD.

Notes to the Interim Financial Statements
For the nine month period ended April 30, 2008
(Prepared by management without audit)

6. RESOURCE PROPERTIES, continued

b) Union Mine Property:

By agreement dated September 11, 2006, the Company acquired an option to earn a 100% interest in 27 mineral claims located in the Greenwood Mining Division, Province of British Columbia.

In consideration, the Company agreed to:

- i) pay \$30,000 (paid) and issue 175,000 common shares on the fifth business day after the granting of regulatory approval (issued);
- ii) pay \$15,000 on or before September 11, 2007 (paid);
- iii) pay \$15,000 on or before September 11, 2008;
- iv) pay \$15,000 on or before September 11, 2009;
- v) pay \$15,000 on or before September 11, 2010;
- vi) incurring exploration expenditures of not less than \$100,000 on or before October 31, 2008. In the event the exploration expenditures spent are less than \$100,000 the Company may pay the difference before October 31, 2008.

This agreement is subject to a 1.5% net smelter return royalty, subject to a maximum of \$1,000,000.

By agreement dated September 8, 2006, the Company acquired an undivided 100% interest in one mineral claim located in the Greenwood Mining Division, Province of British Columbia. In consideration, the Company agreed to pay \$5,000 (paid) and issue 100,000 common shares (issued). This agreement is subject to a 1.5% net smelter return royalty.

By agreement dated September 11, 2006, the Company acquired an undivided 100% interest in eleven mineral claims located in the Greenwood Mining Division, British Columbia. In consideration, the Company agreed to issue 125,000 common shares (issued). This agreement is subject to a 1.5% net smelter return royalty, subject to a maximum of \$250,000.

By agreement dated September 11, 2006, the Company acquired an undivided 100% interest in four mineral claims located in the Greenwood Mining Division, British Columbia. In consideration, the Company agreed to issue 50,000 common shares on the fifth business day after the granting of regulatory approval (issued).

c) George's Lake Property:

By a Letter of Intent dated November 9, 2007, the Company is prepared to enter into an option agreement to earn up to a 70% interest in eight mineral claims located in La Ronge, Saskatchewan.

In consideration, the Company agreed to incur a total of \$1,500,000 in expenditures on the mineral claims as follows:

- i) \$750,000 on or before December 31, 2008 to earn a 50% interest in the mineral claims;
- ii) an additional \$375,000 on or before December 31, 2009 to earn an additional 10% interest in the mineral claims; and
- iii) an additional \$375,000 on or before December 31, 2010 to earn an additional 10% interest in the mineral claims.

YANKEE HAT MINERALS LTD.

Notes to the Interim Financial Statements
For the nine month period ended April 30, 2008
(Prepared by management without audit)

6. RESOURCE PROPERTIES, continued

c) George's Lake Property, continued

The Georges Lake gold property is subject to an existing 0.5% net smelter return royalty and a 10% carried interest owned by an unrelated party. The closing of the transaction is subject to the completion of a definitive agreement to be negotiated within 90 days of the effective date of the Letter of Intent, receipt of regulatory approval and other due diligence as deemed necessary by the Company.

This Letter of Intent was entered into with a related company. The Company is related by virtue of a common director.

Management understands that the George's Lake claims may have lapsed subsequent to April 30, 2008. Management also understands that actions are underway to secure these claims. The outcome of this activity will be known in the first week of July, 2008.

d) Lobo del Norte Property:

On April 3, 2008, the Company announced that it has entered into an Letter of Intent to acquire up to a 100% interest (subject to a 2% net smelter return royalty) in the Lobo del Norte Property. This property consists of 27 mineral claims and is located in the Whitehorse copper belt 20 kilometers southwest of Whitehorse, Yukon.

The terms of the letter of intent call for a total of \$1,050,000 in cash and 2,700,000 common shares to be paid according to the following schedule:

- i) \$30,000 upon execution of the letter of intent (paid);
- ii) \$170,000 and 700,000 shares upon receipt of regulatory approval for the transaction including completion of a NI 43-101 report on the property;
- iii) \$350,000 and 1,000,000 shares upon the first anniversary of the closing date of the transaction; and
- iv) \$500,000 and 1,000,000 shares upon the second anniversary of the closing date of the transaction.

The company will also have to complete a total of \$1,250,000 in exploration expenditures on the property in accordance with the following schedule:

- i) \$100,000 on or before the first anniversary of the closing date of the transaction;
- ii) An additional \$250,000 on or before the second anniversary of the closing date;
- iii) An additional \$400,000 on or before the third anniversary of the closing date; and
- iv) An additional \$500,000 on or before the fourth anniversary of the closing date.

Also, the Company, at its option, will issue 2,000,000 common shares or \$2,000,000 in cash in accordance with the following performance milestones:

- i) 1,000,000 common shares or \$1,000,000 cash upon completion of a feasibility study; and
- ii) 1,000,000 common shares or \$1,000,000 cash upon commencement of commercial production.

The Company will have earned a 50% interest in the property once the company has incurred a total of \$350,000 of exploration expenditures and a 100% interest after incurring an additional \$700,000 of expenditures on the property.

Subsequent to April 30, 2008, this transaction has received regulatory approval.

YANKEE HAT MINERALS LTD.

Notes to the Interim Financial Statements
For the nine month period ended April 30, 2008
(Prepared by management without audit)

6. RESOURCE PROPERTIES, continued

e) REE/Lancer Property:

On April 8, 2008, the Company announced that it has entered into an Letter of Intent to acquire up to a 100% interest (subject to a 2.5% net smelter return royalty) in two contiguous rare earth element properties located in south central Yukon.

Under the terms of the agreement, the Company will issue a total of 6,666,667 common shares in three installments to earn the 100% interest. One third of these shares will be issued on regulatory approval of the transaction, the first anniversary of the approval date and the second anniversary of the approval date. Subsequent to April 30, 2008, this transaction has received regulatory approval.

f) WAU Property:

On April 10, 2008, the Company announced that it has entered into an Letter of Intent to acquire up to a 51% interest in a tungsten-polymetallic property located in central Yukon.

Under the terms of the agreement, the Company will issue a total of 6,666,666 common shares in three installments to earn the 50% interest. One third of these shares will be issued on regulatory approval of the transaction, the first anniversary of the approval date and the second anniversary of the approval date.

The company will also have to complete a total of \$2,000,000 in exploration expenditures on the property in accordance with the following schedule:

- i) \$500,000 on or before December 31, 2008;
- ii) An additional \$500,000 on or before December 31, 2009; and
- iii) An additional \$1,000,000 on or before December 31, 2010.

After the Company completes these obligations, it will then have the option to acquire an additional 1% interest in the Property for a total interest of 51% in exchange for a \$1,000,000 cash payment to the optioner. Subsequent to April 30, 2008, this transaction has received regulatory approval.

7. SHARE CAPITAL

a) Authorized:

Unlimited number of common and preferred shares

YANKEE HAT MINERALS LTD.

Notes to the Interim Financial Statements

For the nine month period ended April 30, 2008

(Prepared by management without audit)

7. SHARE CAPITAL, continued

b) Issued:

	For the nine month period ended April 30, 2008		For the year ended July 31, 2007	
	Number of Shares	Amount \$	Number of Shares	Amount \$
Balance, beginning of period	47,900,872	13,411,072	31,581,262	11,741,813
Issued during the period				
- for cash	3,976,667	596,500	15,671,276	2,180,830
- for exercise of stock Options	200,000	20,000	275,000	27,500
- reclassification from contributed surplus on exercise of stock options	-	21,815	-	8,278
- for acquisition of resource Properties	150,000	16,500	525,000	93,750
Receivable on sale of shares	-	-	(151,666)	-
Recovery of future income tax asset	-	-	-	(471,139)
Share issuance costs	-	(40,985)	-	(169,960)
Balance, end of period	52,227,539	14,024,902	47,900,872	13,411,072

- i) During the nine month period ended April, 2008, the Company completed a private placement for 3,976,667 units at \$0.15 per unit for gross proceeds of \$596,500. Each unit consists of one common share of the Company and one half of a share purchase warrant entitling the holder to purchase one common share at \$0.22 per share for up to one year from the date of closing. The Company paid finder's fees in cash in connection with this placement of \$40,985.
- ii) During the nine month period ended April 30, 2008, the Company issued 200,000 shares on the exercise of stock options at \$0.10 per share for total proceeds of \$20,000. The fair value of these options was \$21,815.
- iii) During the year ended July 31, 2007 the Company completed a flow-through private placement for 6,277,775 units at \$0.18 per unit for cash proceeds of \$1,130,000. Each unit consists of one flow-through common share of the Company and one share purchase warrant entitling the holder to purchase one non flow-through common share at \$0.30 per share if exercised within the first year up to and including September 27, 2007, and at \$0.40 per share if exercised within the second year, from September 28, 2007 up to and including September 27, 2008. The Company paid a finder's fee and a due diligence fee in cash in connection with this placement, totaling \$104,412.

YANKEE HAT MINERALS LTD.

Notes to the Interim Financial Statements
For the nine month period ended April 30, 2008
(Prepared by management without audit)

7. SHARE CAPITAL, continued

b) Issued, continued

- iv) During the year ended July 31, 2007 the Company completed a flow-through private placement for 1,393,501 units at \$0.18 per unit for cash proceeds of \$250,830. Each unit consists of one flow-through common share of the Company and one share purchase warrant entitling the holder to purchase one additional share of the Company at \$0.30 per share up to and including December 5, 2007 and thereafter at \$0.40 per share up to and including December 5, 2008. The Company paid \$13,086 in cash as a finder's fee.
- v) During the year ended July 31, 2007 the Company completed a private placement for 8,000,000 units at \$0.10 per unit for cash proceeds of \$800,000. Each unit consists of one common share of the Company and one-half share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one additional share of the Company at \$0.15 per share up to and including July 10, 2008. The Company paid a total of \$18,850 in cash as finders' fees.
- vi) During the year ended July 31, 2007 the Company issued 525,000 common shares with a fair value of \$93,750 for acquisition of resource properties.

c) Stock Options

Under the Company's stock option plan, the Company may grant options to purchase common shares up to a maximum number permitted by the TSX Venture Exchange to directors, officers and employees. Options granted 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. The options outstanding below are fully vested except as noted.

As at April 30, 2008, the following stock options are outstanding and are exercisable into an equal number of common shares:

Number of Options	Exercise Price	Expiry
240,000 ⁽¹⁾	\$0.18	September 21, 2008
75,000 ⁽²⁾	\$0.10	January 28, 2009
225,000 ⁽²⁾	\$0.10	March 12, 2009
1,500,000 ⁽³⁾	\$0.14	July 27, 2009
600,000 ⁽²⁾	\$0.15	September 20, 2009
450,000 ⁽⁴⁾	\$0.16	January 21, 2010
625,000	\$0.15	March 16, 2010
330,000	\$0.12	October 13, 2011
850,000 ⁽⁵⁾	\$0.10	June 21, 2012
<u>550,000</u>	\$0.15	March 16, 2013
<u>5,445,000</u>		

(1) These options vest as to 1/4 every three months from the date granted.

(2) Subsequent to April 30, 2008, these options have been cancelled.

(3) These options vest as to 1/3 every six months from the date granted.

(4) Subsequent to April 30, 2008, 350,000 of these options have been cancelled.

(5) Subsequent to April 30, 2008, 100,000 of these options have been cancelled.

YANKEE HAT MINERALS LTD.

**Notes to the Interim Financial Statements
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7. SHARE CAPITAL, continued

b) Stock Options, continued

During the nine month period ended April 30, 2008, share purchase options were granted to directors, officers and consultants to purchase 1,175,000 common shares at \$0.15 per share. A portion of these options expire March 17, 2010 and the rest expire on March 17, 2013. The Company applies the fair value method of accounting for stock-based compensation awards. The total fair value of all stock-based compensation awards granted during the nine month period ended April 30, 2008 is \$73,319. The stock based compensation expense in total from the vesting of previously granted options and the grant of new options for the nine month period ended April 30, 2008 was \$379,957.

The fair value of stock options was determined using the Black-Scholes Option Pricing Model with assumptions as follows:

	Nine month period ended April 30, 2008	Year ended July 31, 2007
Risk-free interest rate	2.3% - 4.14%	3.89 – 4.18%
Estimated volatility	69% - 82%	101 – 154%
Expected life	1 year – 5 years	2 – 5 years
Expected dividend yield	0%	0%

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

b) Stock Options, continued

A summary of the movements in stock options during the nine month period ended April 30, 2008 and the year ended July 31, 2007 are as follows:

	Nine month period ended April 30, 2008		Year ended July 31, 2007	
	Shares #	Weighted Average Exercise price	Shares #	Weighted Average Exercise price
Stock options outstanding, beginning of period	5,260,000	\$0.13	1,925,000	\$0.14
Granted	1,415,000	\$0.16	3,910,000	\$0.13
Exercised	(200,000)	\$0.10	(275,000)	\$0.10
Expired or cancelled	(1,030,000)	\$0.15	(300,000)	\$0.15
Stock options outstanding, end of period	5,445,000	\$0.13	5,260,000	\$0.13
Stock options exercisable, end of period	3,885,000		1,803,333	

YANKEE HAT MINERALS LTD.

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7. SHARE CAPITAL, continued

c) Share Purchase Warrants

As at April 30, 2008 the following share purchase warrants are outstanding that are exercisable into an equal number of common shares:

Number of Warrants	Exercise Price	Expiry
6,277,775	\$0.40	September 27, 2008
627,777 ⁽¹⁾	\$0.18	September 27, 2008
1,393,501	\$0.40	December 5, 2008
4,000,000	\$0.15	July 10, 2008
2,250,367	\$0.22	December 31, 2008

⁽¹⁾ These warrants entitle the holder to purchase a unit consisting of one share and one warrant exercisable at \$0.30 for the first year and \$0.40 for the second year.

A summary of the movements in share purchase warrants during the nine month period ended April 30, 2008 and the year ended July 31, 2007 are as follows:

	Nine month period ended April 30, 2008			Year ended July 31, 2007		
	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)
Share purchase warrants outstanding, beginning of year	12,299,053	\$0.30	0.35	3,166,667	\$0.30	-
Expired	-	-	-	(3,166,667)	\$0.30	-
Exercised	-	-	-	-	-	-
Issued	2,250,367	\$0.22	0.65	12,299,053	\$0.25	0.35
Share purchase warrants outstanding, end of year	14,549,420	\$0.29	0.45	12,299,053	\$0.25	0.35

8. CONTRIBUTED SURPLUS (note 12)

Balance, July 31, 2006 (restated)	\$ 130,136
Stock-based compensation for stock options vested	184,195
Reclassification to common shares on exercise of stock options	<u>(8,279)</u>
Balance, July 31, 2007	306,052
Stock-based compensation for stock options vested	379,957
Reclassification to common shares on exercise of stock options	<u>(21,815)</u>
Balance, April 30, 2008	<u>\$ 664,194</u>

YANKEE HAT MINERALS LTD.

Notes to the Interim Financial Statements For the nine month period ended April 30, 2008 (Prepared by management without audit)

9. RELATED PARTY TRANSACTIONS

Related parties are directors and companies controlled by the directors. The following summarizes the Company's related party transactions for the nine month period ended April 30, 2008:

	<u>Nine months</u>
Management fees paid to officers of the Company	\$ 169,800
Management fees paid to companies controlled by directors or officers of the Company	21,000
Administrative fees paid to a relative of a director of the Company	6,000
Rent paid to a company with a common director or to a spouse of an officer of the Company	<u>5,671</u>
	<u>\$ 202,471</u>

These transactions are 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.

Advance and prepaid expenses include \$2,000 (2007 - \$nil) prepayment to a company with a former common director of the Company.

Accounts payable and accrued liabilities include \$33,816 (2007 - \$8,213) due to officers and a former officer of the Company and a relative of a former officer of the Company.

Short term loans payable includes \$201,083 (2007 - \$Nil) due to companies with a director in common with the Company.

10. COMPARATIVE FIGURES

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

11. SUBSEQUENT EVENTS

- i) On May 22, 2008, the Company announced a non-brokered private placement to raise up to \$1,350,000 by the issuance of 9,000,000 flow-through common shares of the Company at a price of \$0.15 per share.
- ii) On June 11, the company announced that it has entered into an agreement to purchase five tungsten properties located in the Yukon Territory.

Under the terms of the Option Agreement, Yankee Hat would issue up to 10 million of its common shares to Strategic Metals Ltd. in four installments to earn a 100% interest in the subject properties (net of the NSRs ranging from 1% to 2%). These shares are to be issued as per the following schedule: 1.0 million shares upon approval of the TSX Venture Exchange, and then at the option of Yankee Hat, 2.0 million shares on or before December 31, 2008, an additional 3.0 million shares on or before December 31, 2009 and an additional 4.0 million shares on or before December 31, 2010. The completion of the sale is also subject to Yankee Hat completing exploration expenditures of \$1.0 million prior to December 31, 2008, an additional \$1.5 million prior to December 31, 2009 and an additional \$2.5 million prior to December 31, 2010.

- iii) Subsequent to April 30, 2008, the Company entered into a promissory note to borrow \$255,000 from a company with a director in common.

YANKEE HAT MINERALS LTD.

Notes to the Interim Financial Statements

For the nine month period ended April 30, 2008

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12. PRIOR PERIOD ADJUSTMENT

During the year ended July 31, 2006, the Company did not disclose that additional share purchase options were granted to acquire up to 450,000 common shares at \$0.16 per share exercisable to January 21, 2010. The financial statements for the year ended July 31, 2006 have been restated to reflect an adjustment to the amount recognized for stock-based compensation relating to the year ended July 31, 2006 due to the share purchase options that were granted. As a result, stock-based compensation previously reported as \$1,225 was restated to \$64,546. The effect of the correction of the financial statements for the year ended July 31, 2006 is summarized as follows:

	As Previously <u>Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Net loss	\$ (646,644)	\$ (63,321)	\$ (709,965)
Contributed surplus	\$ 66,815	\$ 63,321	\$ 130,136
Deficit	\$ (9,575,866)	\$ (63,321)	\$ (9,639,187)

13. NON-CASH TRANSACTION

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows. During the period ended April 30, 2008, the Company issued shares valued at \$16,500 for resource property acquisition costs in relation to the Fran property. These transactions have been excluded from the statement of cash flows.