

**YANKEE HAT MINERALS LTD.**  
*(a development stage company)*

**Financial Statements**

**April 30, 2007**

*(Unaudited – prepared by management)*

**YANKEE HAT MINERALS LTD.**  
*(a development stage company)*

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**MANAGEMENT'S COMMENTS ON  
UNAUDITED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited interim financial statements of Yankee Hat Minerals Ltd as at April 30, 2007 and for the three and nine ended April 30, 2007 and 2006 have been prepared by and are the responsibility of the Company's management. In accordance with National Instrument 51 – 102, the company discloses that its auditors have not reviewed the accompanying unaudited interim financial statements for the three and nine months ended April 30, 2007.

**YANKEE HAT MINERALS LTD.**  
*(a development stage company)*

**Balance Sheets**

*(Unaudited – prepared by management)*

	<i>April 30, 2007</i>	<i>July 31, 2006</i>
<b>ASSETS</b>		
Current:		
Cash and cash equivalents	\$ 393,455	\$ 661,259
Accrued interest receivable	11,590	2,850
Goods and Services Tax receivable	101,028	37,920
Advance and prepaid expenses	<u>57,792</u>	<u>9,178</u>
	\$ 563,865	\$ 711,207
Equipment	11,386	14,841
Resource properties	<u>2,838,823</u>	<u>1,642,252</u>
	<u>\$ 3,414,074</u>	<u>\$ 2,368,300</u>
<b>LIABILITIES</b>		
Current:		
Accounts payable and accrued liabilities	<u>\$ 474,213</u>	<u>\$ 135,538</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	\$ 13,160,689	\$ 11,741,813
Contributed surplus	66,911	66,815
Deficit	<u>(10,287,739)</u>	<u>(9,575,866)</u>
	\$ 2,939,861	\$ 2,232,762
	<u>\$ 3,414,074</u>	<u>\$ 2,368,300</u>

APPROVED ON BEHALF OF THE BOARD:

\_\_\_\_\_  
"Donald Gee" Director

\_\_\_\_\_  
"Anne McCandless" Director

**YANKEE HAT MINERALS LTD.**  
(a development stage company)

**Statements of Operations and Deficit**

(Unaudited – prepared by management)

	<i>Three Months Ended April 30, 2007</i>	<i>Three Months Ended April 30, 2006</i>	<i>Nine Months Ended April 30, 2007</i>	<i>Nine Months Ended April 30, 2006</i>
General and administrative expenses				
Amortization	\$ 1,379	\$ 1,363	\$ 4,091	\$ 4,089
Bank charges and interest	638	177	4,071	478
Consulting fees	2,000	4,000	24,050	16,000
Directors fees	-	-	2,500	3,000
Filings and transfer agent fees	3,204	5,971	25,974	9,247
Management fees	27,000	27,000	81,000	81,000
Office	7,836	5,778	19,107	22,449
Professional fees	29,500	9,220	109,588	63,945
Rent	3,210	1,500	9,750	4,500
Shareholder communications	10,526	18,965	90,884	36,291
Telephone	4,021	2,032	11,208	7,136
Travel	6,798	2,112	10,131	5,947
	<b>\$ 96,112</b>	<b>\$ 78,118</b>	<b>\$ 392,354</b>	<b>\$ 254,082</b>
Interest income	18,636	-	30,222	8,560
Foreign exchange loss	-	(590)	(1,273)	(2,640)
Resource properties written-off	(344,793)	-	(344,793)	-
Stock-based compensation	(1,225)	-	(3,675)	-
Net loss for the period	<b>\$ (423,494)</b>	<b>\$ (78,708)</b>	<b>\$ (711,873)</b>	<b>\$ (248,162)</b>
Deficit, beginning of period	<b>(9,864,245)</b>	<b>(9,098,676)</b>	<b>(9,575,866)</b>	<b>(8,929,222)</b>
Deficit, end of period	<b><u>\$(10,287,739)</u></b>	<b><u>\$ (9,177,384)</u></b>	<b><u>\$ (10,287,739)</u></b>	<b><u>\$ (9,177,384)</u></b>
Basic and diluted loss per share	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>
Weighted average number of shares	<b><u>37,694,166</u></b>	<b><u>24,442,004</u></b>	<b><u>37,694,166</u></b>	<b><u>24,442,004</u></b>

**YANKEE HAT MINERALS LTD.**  
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**Statements of Cash Flows**

*(Unaudited – prepared by management)*

	<i>Three Months Ended April 30, 2007</i>	<i>Three Months Ended April 30, 2006</i>	<i>Nine Months Ended April 30, 2007</i>	<i>Nine Months Ended April 30, 2006</i>
Cash flows from (used in) operating activities				
Net loss for the period	\$ (423,494)	\$ (78,708)	\$ (711,873)	\$ (248,162)
Add items not affecting cash				
- amortization	1,379	1,363	4,091	4,089
- resource property written-off	344,793	-	344,793	-
- foreign exchange loss	-	590	-	2,640
- stock-based compensation	1,225	-	3,675	-
	<u>\$ (76,097)</u>	<u>\$ (76,755)</u>	<u>\$ (359,314)</u>	<u>\$ (241,433)</u>
Changes in non-cash working capital				
Accrued interest receivable	(3,757)	(966)	(8,740)	6,879
Goods and Services Tax receivable	(58,602)	(7,547)	(63,108)	8,992
Advance and prepaid expenses	26,772	3,560	(48,614)	-
Accounts payable and accrued liabilities	372,208	(53,488)	338,673	(38,380)
	<u>\$ 260,524</u>	<u>\$ (135,196)</u>	<u>\$ (141,099)</u>	<u>\$ (263,942)</u>
Investing activities				
Acquisition of equipment	\$ -	\$ -	\$ (636)	\$ -
Acquisition of resource properties	(80,000)	-	(145,000)	-
Deferred exploration costs	(892,973)	(91,938)	(1,302,615)	(575,708)
	<u>\$ (972,973)</u>	<u>\$ (91,938)</u>	<u>\$ (1,448,251)</u>	<u>\$ (575,708)</u>
Financing activities				
Funds advanced for share subscription	\$ -	\$ 539,141	\$ -	\$ 539,141
Issuance of common shares	47,850	7,500	1,436,180	7,500
Share issuance costs	2,284	-	(114,633)	-
Loan receivable	-	1,071	-	1,071
	<u>\$ 50,134</u>	<u>\$ 547,712</u>	<u>\$ 1,321,547</u>	<u>\$ 547,712</u>
Increase (decrease) in cash during the period	\$ (662,315)	\$ 320,578	\$ (267,803)	\$ (291,938)
Cash and cash equivalents, beginning of period	<u>1,055,770</u>	<u>288,803</u>	<u>661,259</u>	<u>901,319</u>
Cash and cash equivalents, end of period	<u>\$ 393,455</u>	<u>\$ 609,381</u>	<u>\$ 393,456</u>	<u>\$ 609,381</u>
Supplementary information:				
Interest paid	\$ 160	\$ 178	\$ 638	\$ 478
Income taxes paid	\$ -	\$ -	\$ -	\$ -

**YANKEE HAT MINERALS LTD.**  
*(a development stage company)*

**Notes to Financial Statements**

**April 30, 2007**

*(Unaudited – prepared by management)*

**1. NATURE AND BASIS 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.

These interim financial statements should be read in conjunction with the financial statements of the company's most recently completed year ended July 31, 2006. These statements do not include all disclosures required in annual financial statements but rather are prepared in accordance with recommendations for interim financial statements in conformity with Canadian generally accepted accounting principles. These statements follow the same accounting policies and methods of their application as those followed in the July 31, 2006 financial statements.

**2. BASIS OF PRESENTATION**

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business for the foreseeable future. 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.

**3. EQUIPMENT**

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>Net Carrying Amount</i>	
			<i>April 30, 2007</i>	<i>July 31, 2006</i>
Computer equipment	\$ 20,671	\$ 12,577	\$ 8,094	\$ 10,968
Exploration equipment	5,740	\$ 2,448	\$ 3,292	\$ 3,873
	<u>\$ 26,411</u>	<u>\$ 15,025</u>	<u>\$ 11,386</u>	<u>\$ 14,841</u>

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**YANKEE HAT MINERALS LTD.**  
(*a development stage company*)

**Notes to Financial Statements**

**April 30, 2007**

*(Unaudited – prepared by management)*

4. RESOURCE PROPERTIES

	<i>Acquisition Cost</i>	<i>Deferred Exploration Costs</i>	Written-off	<i>Net Carrying Amount</i>	
				<i>April 30, 2007</i>	<i>July 31, 2006</i>
Fran Property	\$ 243,000	\$ 2,399,462	\$ -	\$2,642,462	\$ 1,327,459
Lever Lake	82,368	202,445	(284,813)	-	264,813
Thelon Basin	44,868	15,112	(59,980)	-	49,980
Union Property	116,000	80,361	-	196,361	-
	<u>\$ 486,236</u>	<u>\$ 2,697,380</u>	<u>\$ (344,793)</u>	<u>\$2,838,823</u>	<u>\$ 1,642,252</u>

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 the first anniversary of the date of the agreement;
- iii) pay \$15,000 on or before the second anniversary of the date of the agreement;
- iv) pay \$15,000 on or before the third anniversary of the date of the agreement;
- v) pay \$15,000 on or before the fourth anniversary of the date of the agreement;
- 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.

By agreement dated September 11, 2006, the Company acquired an undivided 100% interest in eleven mineral claims known as AI Claims and Crown Grants, located in the Greenwood Mining Division, British Columbia.

In consideration, the Company agreed to issue 125,000 common shares (issued).

By agreement dated September 11, 2006, the Company acquired an undivided 100% interest in four mineral claims known as Cat 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).

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**YANKEE HAT MINERALS LTD.**  
*(a development stage company)*

**Notes to Financial Statements**

**April 30, 2007**

*(Unaudited – prepared by management)*

4. RESOURCE PROPERTIES, continued

Union Mine Property, continued

By agreement dated September 8, 2006, the Company acquired an undivided 100% interest in one mineral claim known as Doe 2, 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).

5. SHARE CAPITAL

Authorized:

Unlimited number of common and preferred shares

Common shares issued and fully paid:

	<u>April 30, 2007</u>		<u>July 31, 2006</u>	
	<u>Number of Shares</u>	<u>Amount</u>	<u>Number of Shares</u>	<u>Amount</u>
Balance, beginning of year	31,581,262	\$ 11,741,813	24,437,009	\$ 10,755,084
Issued during year:				
- for cash	7,671,276	1,380,830	6,333,333	950,000
- for exercise of stock options	75,000	11,079	75,000	7,500
- fair value of stock options exercised	-	-	-	1,335
- for exercise of share purchase warrants	-	-	75,000	15,000
- for acquisition of resource properties	525,000	93,750	225,000	44,250
-for finder's fee			435,920	65,388
Received in advance of issuance	-	47,850	-	-
Receivable on sale of share	-	-	-	(22,750)
Share issuance costs	-	(114,633)	-	(73,994)
Balance, end of year	<u>39,852,538</u>	<u>\$ 13,160,689</u>	<u>31,581,262</u>	<u>\$ 11,741,813</u>

*(continues)*

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**Notes to Financial Statements**

**April 30, 2007**

*(Unaudited – prepared by management)*

5. SHARE CAPITAL (continued)

Stock Option Plan:

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.

During the period, no stock options were granted, exercised or forfeited.

During the period 25,000 stock options expired.

As at April 30, 2007, the following stock options are outstanding:

<i>Number of Options</i>	<i>Exercise Price</i>	<i>Expiry</i>
175,000	\$ 0.10	May 31, 2007
600,000	\$ 0.15	September 20, 2007
150,000	\$ 0.10	January 28, 2009
350,000	\$ 0.15	March 12, 2009

The Company applies the fair value method of accounting for stock-based compensation awards. During the period, 75,000 stock options were vested, resulting in a stock-based compensation expense of \$3,675.

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

Risk-free interest rate	3.42%
Estimated volatility	30%
Expected life	2 year
Expected dividend yield	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.

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**YANKEE HAT MINERALS LTD.**  
(*a development stage company*)

**Notes to Financial Statements**

**April 30, 2007**

*(Unaudited – prepared by management)*

5. SHARE CAPITAL (continued)

Share Purchase Warrants:

As at April 30, 2007 the following share purchase warrants are outstanding:

<i>Number of Warrants</i>	<i>Exercise Price</i>	<i>Expiry</i>
6,277,775	\$0.30	September 27, 2008
1,393,501	\$0.30	December 5, 2008

During the period, 1,393,501 share purchase warrants were granted, 3,166,667 share purchase warrants expired and no share purchase warrants were forfeited.

6. RELATED PARTY TRANSACTIONS

Related parties are directors and companies controlled by the directors. The following summarizes the Company's related party transactions for the period:

	<i>April 30, 2007</i>	<i>July 31, 2006</i>
Directors fees paid to officers of the Company	\$ 2,500	\$ 3,000
Management fees paid to companies controlled by directors or officers of the Company	\$ 81,000	\$ 108,000
Consulting fees paid to companies controlled by directors or officers of the Company	\$ 20,000	\$ -
Rent paid to a spouse of an officer of the Company	\$ -	\$ 5,000

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 \$1,564 (2006 – 7,924) prepayment to an officer for office expenses

Accounts payable and accrued liabilities include \$8,213 (2006 – \$1,707) due to companies and/or officers and directors related to the Company.

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**YANKEE HAT MINERALS LTD.**  
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**Notes to Financial Statements**

**April 30, 2007**

*(Unaudited – prepared by management)*

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7. STATEMENTS OF CASH FLOWS

Non-cash transactions are as follows:

	<i>April 30</i>		<i>July 31</i>
	<u>2007</u>		<u>2006</u>
Shares issued and allotted for resource properties	\$ 93,750	\$	44,250
Finder's fee	\$ -	\$	65,388

*(continues)*

**YANKEE HAT INERALS LTD.**  
*(a development stage company)*

**Schedules of Deferred Exploration Costs**

*(Unaudited – prepared by management)*

	<i>April 30,</i> <i>2007</i>	<i>July 31,</i> <i>2006</i>
<b><i>Fran Property:</i></b>		
Balance, beginning of year	\$ 1,177,209	\$ 574,486
Assay	56,389	35,672
Geological	610,840	402,457
Mapping	2,500	1,806
Drilling	552,524	137,240
Report preparation	<u>-</u>	<u>25,548</u>
Balance, end of year	<u>\$ 2,399,462</u>	<u>\$ 1,177,209</u>
<b><i>Lever Lake Property:</i></b>		
Balance, beginning of year	\$ 202,445	\$ -
Geological	-	15,384
Survey	-	<u>187,061</u>
	<u>202,445</u>	202,445
Resource property written off	<u>(202,445)</u>	<u>-</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 202,445</u>
<b><i>Thelon Basin Property:</i></b>		
Balance, beginning of year	\$ 15,112	\$ -
Geological	-	<u>15,112</u>
	<u>15,112</u>	15,112
Resource property written off	<u>(15,112)</u>	<u>-</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 15,112</u>
<b><i>Union Property:</i></b>		
Balance, beginning of year	\$ -	\$ -
Assay	991	-
Geological	<u>79,370</u>	<u>-</u>
Balance, end of year	<u>\$ 80,361</u>	<u>\$ -</u>
Total	<u>\$ 2,479,823</u>	<u>\$ 1,394,766</u>