

YANKEE HAT MINERALS LTD.
(a development stage company)

Financial Statements

October 31, 2006

(Unaudited – prepared by management)

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(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 October 31, 2006 and for the three months ended October 31, 2006 and 2005 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 months ended October 31, 2006.

YANKEE HAT MINERALS LTD.
(a development stage company)

Balance Sheets

October 31, 2006

(Unaudited – prepared by management)

	<i>October 31,</i> <i>2006</i>	<i>July 31,</i> <i>2006</i>
ASSETS		
Current:		
Cash and cash equivalents	\$ 1,216,331	\$ 661,259
Accrued interest receivable	3,214	2,850
Goods and Services Tax receivable	59,165	37,920
Advance and prepaid expenses	<u>3,564</u>	<u>9,178</u>
	\$ 1,282,274	\$ 711,207
Equipment	13,509	14,841
Resource properties	<u>2,022,219</u>	<u>1,642,252</u>
	<u>\$ 3,318,002</u>	<u>\$ 2,368,300</u>
LIABILITIES		
Current:		
Accounts payable and accrued liabilities	<u>\$ 77,749</u>	<u>\$ 135,538</u>
SHAREHOLDERS' EQUITY		
Share capital	\$ 12,860,061	\$ 11,741,813
Contributed surplus	64,461	66,815
Deficit	<u>(9,684,269)</u>	<u>(9,575,866)</u>
	<u>\$ 3,240,253</u>	<u>\$ 2,232,762</u>
	<u>\$ 3,318,002</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
October 31, 2006
(Unaudited – prepared by management)

	<i>Three Months Ended October 31, 2006</i>	<i>Three Months Ended October 31, 2005</i>
General and administrative expenses		
Amortization	\$ 1,332	\$ 1,363
Bank charges and interest	321	189
Business development	2,611	-
Consulting fees	-	8,000
Filings and transfer agent fees	11,257	145
Management fees	27,000	27,000
Office	3,946	9,006
Professional fees	13,294	14,298
Rent	3,330	1,500
Shareholder communications	42,053	32,630
Telephone	3,529	3,248
Travel	1,948	2,872
	\$ 110,621	\$ 100,251
Interest income	(4,716)	(653)
Foreign exchange loss	1,273	1,145
Stock-based compensation	1,225	-
Net loss for the period	\$ 108,403	\$ 100,743
Deficit, beginning of period	9,575,866	8,929,222
Deficit, end of period	\$ 9,684,269	\$ 9,029,965
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)
Weighted average number of shares	34,111,635	24,437,009

YANKEE HAT MINERALS LTD.
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Statements of Cash Flows

October 31, 2006

(Unaudited – prepared by management)

	<i>Three Months Ended October 31, 2006</i>	<i>Three Months Ended October 31, 2005</i>
Cash flows from (used in) operating activities		
Net loss for the period	\$ (108,403)	\$ (100,743)
Add items not affecting cash		
- amortization	1,332	1,363
- foreign exchange loss	-	1,145
- stock-based compensation	1,225	-
	<u>\$ (105,846)</u>	<u>\$ (98,235)</u>
Changes in non-cash working capital		
Accrued interest receivable	(364)	8,666
Goods and Services Tax receivable	(21,245)	(32,297)
Advance and prepaid expenses	5,614	(7,240)
Accounts payable and accrued liabilities	(57,790)	707
	<u>\$ (179,631)</u>	<u>\$ (128,399)</u>
Investing activities		
Acquisition of resource properties	\$ (35,000)	\$ -
Deferred exploration costs	(263,966)	(402,783)
	<u>\$ (298,966)</u>	<u>\$ (402,783)</u>
Financing activities		
Issuance of common shares	\$ 1,137,500	\$ -
Share issuance costs	(103,831)	-
	<u>\$ 1,033,669</u>	<u>\$ -</u>
Increase (decrease) in cash during the period	\$ 555,072	\$ (531,182)
Cash and cash equivalents, beginning of period	<u>661,259</u>	<u>901,319</u>
Cash and cash equivalents, end of period	<u>\$ 1,216,331</u>	<u>\$ 370,137</u>
Supplementary information:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

YANKEE HAT MINERALS LTD.
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Notes to Financial Statements

October 31, 2006

(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>October 31, 2006</i>	<i>July 31, 2006</i>
Computer equipment	\$ 20,035	\$ 10,205	\$ 9,830	\$ 10,968
Exploration equipment	5,740	\$ 2,061	\$ 3,679	\$ 3,873
	<u>\$ 25,775</u>	<u>\$ 12,266</u>	<u>\$ 13,509</u>	<u>\$ 14,841</u>

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YANKEE HAT MINERALS LTD.
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Notes to Financial Statements

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4. RESOURCE PROPERTIES

	<i>Acquisition Cost</i>	<i>Deferred Exploration Costs</i>	<i>Net Carrying Amount</i>	
			<i>October 31, 2006</i>	<i>July 31, 2006</i>
Fran Property	\$ 150,250	\$ 1,441,176	\$ 1,591,426	\$ 1,327,459
Lever Lake	62,368	202,445	264,813	264,813
Thelon Basin	34,868	15,112	49,980	49,980
Union Property	116,000	-	116,000	-
	<u>\$ 363,486</u>	<u>\$ 1,658,733</u>	<u>\$ 2,022,219</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.
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Notes to Financial Statements

October 31, 2006

(Unaudited – prepared by management)

5. 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).

6. SHARE CAPITAL

Authorized:

Unlimited number of common and preferred shares

Common shares issued and fully paid:

	<u>October 31, 2006</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	6,277,775	1,130,000	6,333,333	950,000
- for exercise of stock options	75,000	7,500	75,000	7,500
- fair value of stock options exercised	-	3,579	-	1,335
- for exercise of share purchase warrants	-	-	75,000	15,000
- for acquisition of resource properties	450,000	81,000	225,000	44,250
-for finder's fee	-	-	435,920	65,388
Receivable on sale of share	-	-	-	(22,750)
Share issuance costs	-	(103,831)	-	(73,994)
Balance, end of year	<u>38,384,037</u>	<u>\$ 12,860,061</u>	<u>31,581,262</u>	<u>\$ 11,741,813</u>

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YANKEE HAT MINERALS LTD.
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Notes to Financial Statements

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(Unaudited – prepared by management)

6. 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. 75,000 stock options were exercised and no stock options were forfeited or expired.

As at October 31, 2006, the following stock options are outstanding:

<i>Number of Options</i>	<i>Exercise Price</i>	<i>Expiry</i>
25,000	\$ 0.10	February 18, 2007
100,000	\$ 0.25	April 1, 2007
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 year, 25,000 stock options were vested, resulting in a stock-based compensation expense of \$1,225.

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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6. SHARE CAPITAL (continued)

Share Purchase Warrants:

As at October 31, 2006 the following share purchase warrants are outstanding:

<i>Number of Warrants</i>	<i>Exercise Price</i>	<i>Expiry</i>
3,166,667	\$0.30	November 4, 2006
6,277,775	\$0.30	September 27, 2008

During the period, 6,277,775 share purchase warrants were granted, no share purchase warrants were exercised, expired or were forfeited.

7. 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>October 31, 2006</i>	<i>July 31, 2006</i>
Directors fees paid to officers of the Company	\$ -	\$ 3,000
Management fees paid to companies controlled by directors or officers of the Company	\$ 27,000	\$ 108,000
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 \$1,707 (2006 – \$1,707) due to companies and/or officers and directors related to the Company.

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8. STATEMENTS OF CASH FLOWS

Non-cash transactions are as follows:

	<i>October 31,</i> <i>2006</i>	<i>July 31</i> <i>2006</i>
Shares issued and allotted for resource properties	\$ 81,000	\$ 44,250
Finder's fee	\$ -	\$ 65,388

9. SUBSEQUENT EVENTS

Subsequent to October 31, 2006 the Company closed a non-brokered private placement of 1,393,501 units at \$0.18 totaling \$250,829.90. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one share of the Company at a price of \$0.30 up to and including December 5, 2007 and thereafter at \$0.40 per share if exercised within the second year up to December 5, 2008. Finder's fee totaling \$13,086 was paid in cash.

Subsequent to October 31, 2006 3,166,667 share purchase warrants at an exercise price of \$0.30 expired.

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YANKEE HAT INERALS LTD.
(a development stage company)
Schedules of Deferred Exploration Costs
October 31, 2006
(Unaudited – prepared by management)

	<i>October 31,</i> <i>2006</i>	<i>July 31,</i> <i>2005</i>
<i>Fran Property:</i>		
Balance, beginning of year	\$ 1,177,209	\$ 574,486
Assay	-	35,672
Geological	186,149	402,457
Mapping	-	1,806
Drilling	77,818	137,240
Report preparation	-	25,548
Balance, end of year	<u>\$ 1,441,176</u>	<u>\$ 1,177,209</u>
<i>Lever Lake Property:</i>		
Balance, beginning of year	\$ 202,445	\$ -
Geological	-	15,384
Survey	-	187,061
Balance, end of year	<u>\$ 202,445</u>	<u>\$ 202,445</u>
<i>Thelon Basin Property:</i>		
Balance, beginning of year	\$ 15,112	\$ -
Geological	-	15,112
Balance, end of year	<u>\$ 15,112</u>	<u>\$ 15,112</u>
Total	<u>\$ 1,658,733</u>	<u>\$ 1,394,766</u>