



# YANKEE HAT --- MINERALS

(An Exploration Stage Company)

## **MANAGEMENT DISCUSSIONS AND ANALYSIS**

For the Three Month Period Ended October 31, 2007

# **Management Discussions & Analysis of Operating Results and Financial Condition for the Three Month Period Ended October 31, 2007**

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*December 28<sup>th</sup>, 2007*

The following discussion and analysis should be read in conjunction with the financial statements and notes of Yankee Hat Minerals Ltd. (the “Company”) for the three month period ended October 31, 2007 accompanying this report. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional information relating to the Company and other regulatory filings can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com).

## **Forward-Looking Statements**

Certain statements contained in this document constitute “forward-looking statements”. When used in this document, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “propose”, “anticipate”, “believe”, used by any of the Company’s management, are intended to identify forward-looking statements. Such statements reflect the Company’s “forecast”, “estimate”, “expect” and similar expressions, as they relate to the Company’s current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

## OVERVIEW

**Yankee Hat's goal is to combine its expertise in property evaluation and mineral exploration, with its financial acumen, to exploit undervalued gold properties in North and South America.**

Yankee Hat Minerals Ltd. is incorporated under the laws of British Columbia and its principal business is the acquisition, exploration and development of precious metal properties. The Company currently has mineral exploration projects in British Columbia and Saskatchewan.

The Company is a reporting venture issuer in British Columbia and Alberta and is listed on the TSX Venture Exchange under the symbol "KHT".

## Exploration Activities

Full particulars of all projects can be found in the Company's public disclosure documents on SEDAR, the electronic data base at [www.sedar.com](http://www.sedar.com).

### *Fran Property, Omineca Mining District, British Columbia*

By agreement dated March 21, 2004, the Company acquired an option from Mr. Richard Haslinger of British Columbia ("Haslinger") to earn an undivided 100% interest in and to certain mineral claims contained in a 4,000 hectare portion of the Omineca Mining Division in the central part of British Columbia, also known as the "Fran Property". To earn the Fran Property Option, the Company has committed to pay the amounts and issue common shares from its treasury to Haslinger as set out below:

- a) The sum of CAD\$30,000 (paid) and 50,000 shares (issued) within 10 days of Exchange approval of the Fran Property option;
- b) An additional CAD\$30,000 (paid) and 75,000 shares (issued) by the first anniversary of the execution of the Fran Property option;
- c) An additional CAD\$40,000 (paid) and 75,000 shares (issued) by the second anniversary of the execution of the Fran Property option;
- d) An additional CAD\$80,000 (paid) and 75,000 shares (issued) by the third anniversary of the execution of the Fran Property option;
- e) An additional CAD\$100,000 and 150,000 shares by the fourth anniversary of the execution of the Fran Property option; and
- f) An additional CAD\$30,000 by each subsequent anniversary of the execution of the option, each of which payments is to be considered an advance against future royalty payments provided by the option (see below).

The Company will earn 50% of its interest in the Fran Property following the second anniversary of the execution of the option, provided it has complied with (a), (b) and (c) above. The Company will earn a further 20% interest of its interest following the third anniversary provided it has met (d) above, and the final 30% of its interest following the fourth anniversary once it has met (e) above. Haslinger will also be paid a royalty of 2% of net smelter returns once commercial production on the Fran Property has commenced, which royalties shall be offset by the payments described in (f) above.

The Fran Property will be designated by the Company as its "Principal Property" under the policies of the Exchange, and the Company has filed a geological report in compliance with National Instrument 43-101.

## 2007 Exploration Program

**On January 17, 2007** the Company announced its 2007 winter diamond drilling exploration program on the North Contact Zone of the Fran Property.

The Fran property is located 60 kilometers north of Fort St. James and is 30 kilometres southwest of Mount Milligan, one of British Columbia's largest undeveloped mineral deposits. More than 20 shallow holes were planned to further test the North Contact Zone over a 1 kilometer strike length to vertical depths of 150 metres.

In 2006, 14 holes tested the North Contact Zone over a strike length of 800 metres for a total of 2060 metres. This drilling concentrated on the east and west ends of this zone leaving a 250 metre gap in the central area. In 2007 several initial drill holes were planned to close this gap and test open areas to the east and west.

The continuity of the polymetallic vein-replacement style mineralization within the 2006 drilling area is excellent with true widths ranging from 2 to 50 metres. Average gold grades in trenches and drill holes are similar, commonly in the 3 to 9 gt range with individual samples up to 93 gt Au. Silver, copper and locally lead and zinc values are associated with the more significant gold intercepts. Highlights from the 2006 Phase 1 drilling on the North Contact Zone were as follows:

- FR-47 4.0 m of 7.91 gt Au, 12.78 gt Ag, 0.39% Cu
- FR-55 9.55m of 8.51 gt Au, 14.81 gt Ag, 0.25% Cu
- FR-58 57.44m of 0.82 gt Au, Incl. 8.47m of 3.04 gt Au, 1.57 gt Ag, 0.06% Cu
- FR-59 54.60m of 1.12 gt Au, Incl. 4.85m of 10.96 gt Au, 40.15 gt Ag, 1.48% Cu
- FR-61 17.12m of 1.2 gt Au, Incl. 2.85m of 2.42 gt Au, 7.0 gt Ag, 0.16% Cu

Importantly, some of the better intercepts occurred near either end of the 2006 drilling area, for example FR-55 at the far western end. The gold zone is open in all directions.

**On March 12, 2007** the Company announced that the drills began operating on the Fran property.

The first five assay results from the winter drilling program were released **on April, 25, 2007**. All five holes intersected economically significant gold mineralization; highlighted by FR 07-64 with **17.30 g/t Au over 1.5 meters** within a larger intercept of **1.69 g/t Au over 16.90 meters**.

A table of drilling highlights is provided below for further reference:

Hole Number	From (m)	To (m)	Interval (m)	Interval (ft)	Au (g/t)	Ag (ppm)	Cu (ppm)	Zn (ppm)
FR 07-63	136.6	145.2	8.6	28.22	0.98	1.9	476	39
FR 07-64	62.2	79.1	16.9	55.45	1.69	2.1	380	86
incl	71.8	73.3	1.5	4.92	17.3	21.6	3650	664
FR 07-65	72.2	73.8	1.6	5.25	1.33	0.4	165	39
FR 07-66	72.5	108.4	35.9	117.78	0.34	1.1	374	176
incl	72.5	73.75	1.25	4.1	1.47	1.5	1571	61
incl	91.5	102	10.5	34.45	0.68	2.3	706	247
FR 07-67	66.8	70.75	3.95	12.96	0.51	2	41	18
incl	146.15	148.95	2.8	9.19	0.86	2.2	390	242
incl	148.45	148.95	0.5	1.64	1.71	3	457	524

On **June 13, 2007** the Company announced that three additional drill holes from the North Contact Zone all intersected significant gold mineralization. The new results included **20.50 g/t gold over 0.50 meters within a larger intercept of 1.01 g/t over 30.60 meters** in hole FR 07-70 and **13.15 g/t gold over 0.50 meters within a larger intercept grading 0.75 g/t over 23.05 meters** in hole FR 07-68.

Complete drill results are summarized below:

Hole Number	From (m)	To (m)	Interval (m)	Interval (ft)	Au (g/t)	Ag ppm	Cu ppm	Zn ppm
<b>FR 07-68</b>	<b>124.05</b>	<b>147.1</b>	<b>23.05</b>	<b>75.62</b>	<b>0.75</b>	<b>0.9</b>	<b>232</b>	<b>285</b>
Incl	124.05	124.55	0.5	1.64	13.15	4.1	1381	791
Incl	124.05	132.25	8.2	26.9	1.2	1.1	280	106
Incl	145.3	147.1	1.8	5.91	3.34	4	762	2780
<b>FR 07-69</b>	<b>142.4</b>	<b>185.45</b>	<b>43.05</b>	<b>141.24</b>	<b>0.34</b>	<b>18.1</b>	<b>260</b>	<b>81</b>
Incl	146.8	147.6	0.8	2.62	2.59	1.6	778	68
Incl	156.7	158.2	1.5	4.92	1.65	1.4	1180	91
Incl	185.05	185.45	0.4	1.31	5.14	4.9	976	1220
<b>FR07-70</b>	<b>131.05</b>	<b>161.65</b>	<b>30.6</b>	<b>100.39</b>	<b>1.01</b>	<b>1.1</b>	<b>350</b>	<b>147</b>
Incl	146.75	148	1.25	4.1	3.04	2.5	597	1214
Incl	149.4	150.1	0.7	2.3	6.39	4.5	1260	169
Incl	160.15	160.65	0.5	1.64	20.5	29.7	4008	2844
	225.2	226.25	1.05	3.44	11.3	13.3	2756	71

Winter drilling at the Fran property was completed in early May. Altogether, 17 holes were drilled for more than 3,300 meters.

On **July 17, 2007** the Company announced that five new holes completed on the North Contact Zone in May, bringing the total analyzed and reported on this date to 13 holes, had again provided favourable results. These latest five holes, all located within the central gap, combined with previously reported holes FR-07-68 through FR-07-70 had successfully in-filled the central gap to depths of 140 meters below surface.

The result of the five holes confirmed that the North Contact Zone is continuously mineralized over 1,000 meters of strike length, with mineralization beginning near surface. The target remains open along strike in both directions.

A table of drilling highlights is provided below for further reference:

Hole Number	From (m)	To (m)	Interval (m)	Au (g/t)	Ag ppm	Cu ppm	Zn ppm
<b>FR 07-71</b>	<b>34.0</b>	<b>73.7</b>	<b>39.7</b>	<b>2.10</b>	<b>2.2</b>	<b>959</b>	<b>216</b>
Incl	34.0	41.0	7.0	3.14	3.4	1909	61
Incl	55.0	60.6	5.6	2.87	3.0	2370	322
Incl	67.7	73.7	7.4	5.99	5.9	1180	999
	<b>104.5</b>	<b>107.4</b>	<b>2.9</b>	<b>1.04</b>	<b>1.3</b>	<b>734</b>	<b>34</b>
	<b>116.4</b>	<b>116.9</b>	<b>0.5</b>	<b>1.89</b>	<b>0.4</b>	<b>977</b>	<b>28</b>
<b>FR 07-72</b>	<b>78.9</b>	<b>79.9</b>	<b>1.0</b>	<b>5.18</b>	<b>4.9</b>	<b>747</b>	<b>70</b>
	96.6	118.0	21.4	0.25	0.6	221	96
Incl	96.6	97.8	1.2	1.28	2.4	853	42
Incl	106.1	106.9	0.8	1.51	7.1	1361	118
Incl	<b>116.7</b>	<b>118.0</b>	<b>1.3</b>	<b>1.00</b>	<b>1.0</b>	<b>727</b>	<b>77</b>
	<b>132.4</b>	<b>133.9</b>	<b>1.5</b>	<b>1.76</b>	<b>0.3</b>	<b>76</b>	<b>27</b>
<b>FR07-73</b>	<b>146.8</b>	<b>148.4</b>	<b>1.6</b>	<b>1.67</b>	<b>0.3</b>	<b>294</b>	<b>37</b>
Incl	180.6	181.7	1.1	1.17	2.8	617	756
Incl	193.16	194.16	1.0	4.03	50.0	18400	656
FR07-74	69.4	70.8	1.4	3.20	5.1	1212	262
	111.9	139.5	27.6	3.84	3.9	813	432

Hole Number	From (m)	To (m)	Interval (m)	Au (g/t)	Ag ppm	Cu ppm	Zn ppm
Incl	117.7	126.0	8.3	10.62	10.9	2135	896
FR-07-75	49.0	49.6	0.6	27.86	1.8	980	72
	77.8	102.1	24.3	0.74	1.6	475	142
Incl	77.8	79.35	1.55	1.17	5.0	339	43
Incl	84.95	98.6	13.65	1.13	1.6	595	229
Incl	92.3	92.85	0.55	6.99	10.8	1786	2025
	115.95	126.5	10.55	0.98	2.4	733	198
Incl	123.3	124.5	1.2	3.86	7.3	1874	993

On **July 26, 2007**, the Company announced that it had received the results of the final four diamond drill holes from its 2007 winter drilling program at the North Contact Zone of its Fran gold project.

Drilling encountered gold mineralization that extends the strike length of the North Contact Zone 200 meters to the west of drill hole FR-06-55. With these results, the Company has proven that the North Contact Zone is continuously mineralized over a strike length of approximately 1200 meters and is wide open for expansion in both directions.

The 2007 winter diamond drilling program at the North Contact Zone was successful as the Company was able to achieve its two main objectives:

1. In-fill drilling closed the 250 meter central gap between the eastern and western sections of the North Contact Zone and showed excellent gold grades (please refer news release dated July, 17, 2007); and
2. The Company was able to prove that the North Contact Zone extends west beyond FR-06-55.

Some specific results include:

- Drill Hole FR-07-76 intersected **2.27 g/t gold over 10.8 meters** including higher grade cores of **15.47 grams per tonne gold over 0.6 meters** and **5.64 grams per tonne gold over 3.9 meters**. The hole was located approximately 175 meters west of hole FR-06-55 and encountered a strong silica altered monzodiorite dyke at a vertical depth of 105 meters below surface.
- Drilled from the same pad as hole FR-07-76, FR-07-77, encountered a zone of mineralization 25 meters west of FR-07-76 with 0.37 grams per tonne gold over 24.5 meters including higher grade cores of 1.44 grams per tonne gold over 3.2 meters, 1.22 grams per tonne gold over 1.5 meters, and 1.03 grams per tonne over 1.0 meter.
- Hole FR-07-78 was drilled north along the same section as FR-07-77 and had to be terminated before reaching the projected mineralized zone due to a strong fault zone.
- Hole FR-07-79 was an exploratory drill hole designed to test the Western Sump target located apart from and approximately 150 meters north of the North Contact Zone. Previous composite sampling indicated a strong quartz carbonate pyrite alteration with significant values including 5.22 g/t Au, 2.6 ppm Ag, 508 ppm Cu and 33 ppm Zn, however, the hole did not intersect a zone similar to the alteration or mineralization seen on surface.

A table of drilling highlights is provided below for further reference.

Hole Number	From (m)	To (m)	Interval (m)	Au (g/t)	Ag ppm	Cu ppm	Zn ppm
<b>FR 07-76</b>	<b>133.2</b>	<b>144.0</b>	<b>10.8</b>	<b>2.27</b>	<b>3.6</b>	<b>878</b>	<b>354</b>
Incl	139.0	143.0	3.9	5.64	8.8	2209	828
Incl	139.0	139.6	0.6	15.47	28.5	8907	1216
<b>FR 07-77</b>	<b>169.6</b>	<b>194.2</b>	<b>24.5</b>	<b>0.37</b>	<b>1.7</b>	<b>263</b>	<b>332</b>
Incl	170.0	173.0	3.2	1.44	6.2	427	1567
Incl	182.7	183.8	1.0	1.03	9.5	2142	1127
Incl	192.6	194.2	1.5	1.22	2.9	436	195
FR-07-78	102.7	103.0	0.3	0.04	260.0	544	72

The North Contact Zone is a structurally controlled vein system of low sulphidation with a mesothermal temperature regime. The dip of mineralized zones is variable but usually near vertical. True widths are estimated to be roughly 60-70% of those stated.

Wayne Murton, P. Eng. is the Qualified Person under National Instrument 43-101 who is supervising the Fran exploration program. All analytical work was completed by EcoTech Laboratories Ltd. of Kamloops B.C. using standard assay procedures for gold analysis; with any gold values greater than 1.00 g/t going to a metallics assay. 30 element I.C.P. has been completed on all samples.

### *Union Property, Greenwood Mining District, British Columbia*

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:

- a) pay \$30,000 (paid) and issue 175,000 common shares on the fifth business day after the granting of regulatory approval (issued);
- b) pay \$15,000 on or before September 11, 2007 (paid);
- c) pay \$15,000 on or before September 11, 2008;
- d) pay \$15,000 on or before September 11, 2009;
- e) pay \$15,000 on or before September 11, 2010; and
- f) 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. The properties are subject to a NSR of 1.5%.

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

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).

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). This agreement is subject to a 1.5% net smelter royalty.

**December 6, 2006**, the Company staked an additional 900 hectares of high mineral potential land surrounding the existing 1,650 hectares it already controls bring the total land area to 2,550 hectares.

On **May 17, 2007** the Company announced that Aeroquest Limited completed a 347 line kilometre aerial geophysical survey on the Union Mine project.

The Union project contains the past-producing Union mine, one of the highest grade gold-silver deposits ever mined in British Columbia. A total of 122,555 tonnes of material was historically mined from the Union mine, returning an average grade of 14.1 g/t Au and 353.4 g/t Ag (Note: these figures are taken from historical information that is believed to be reliable and do not conform with current NI 43-101 standards).

A considerable amount of previous exploration has been done on the property and eight zones of mineralization, including the Union vein, are known. Known styles of mineralization on the property include Union Mine type silicified zones/fissure veins, Tertiary epithermal quartz veins and breccia zones, "Black lead" type Cu-PGE mineralization

associated with the Averill Group alkalic intrusives, and shear zones or contact metasomatic copper mineralization in Franklin Group volcanics and sediments.

The interpretation of the aerial survey, in conjunction with previous exploration data, will be used to direct a summer exploration program. With the large area covered by the property there is excellent potential to discover additional high grade zones of mineralization along strike with and/or similar to the historic Union Mine deposit.

## Exploration Results

The results of operations reflect the overhead costs incurred for mineral property acquisitions and expenses incurred by the Company to maintain good standing with the various regulatory authorities and to provide an administrative infrastructure to manage the acquisition, exploration, and financing activities of the Company. General and administrative costs can be expected to increase or decrease in relation to the changes in activity required as property acquisitions and exploration continues. As at October 31, 2007, the Company has not yet recorded any revenues from its exploration projects.

## Revenues

Due to the Company's status as an exploration and development stage resource issuer, the Company does not have revenues to report from its current operations at this time. Future revenues may be obtained from mineral exploration projects currently contemplated for development in British Columbia or Saskatchewan.

## Operating Expenses

### *Comparative Overall Results*

Revenue, net loss, diluted loss per common share, total assets and total long-term liabilities for the most recently completed fiscal years ended July 31, 2007, 2006, and 2005 are as follows:

	July 31, 2007	July 31, 2006	July 31, 2005
Revenue	27,446	9,844	18,455
Loss before income tax provision	(1,065,411)	(709,965)	(524,048)
Net loss for year	(594,272)	(709,965)	(524,048)
Loss per Common	(0.02)	(0.03)	(0.03)
Total Assets	3,809,879	2,368,300	1,984,956
Total Long-Term Liabilities	-	-	-

### *Management, Administrative & Professional Fees*

Management and administrative fees, professional fees and consulting fees for the three month periods ended **October 31, 2007** and **October 31, 2006** were as follows:

	October 31, 2007	October 31, 2006
Directors Fees	-	-
Management and Administrative Fees	44,750	27,000

Professional Fees	29,597	13,294
Consulting Fees	4,000	-

Professional fees, management and administrative fees, and consulting fees have increased for the three month period ended October 31, 2007 in relation to the three month period ended October 31, 2006 and is in-step with the associated costs of managing the various projects the company has been developing over the past fiscal period. Due to adjustments in the management team to consolidate operations as announced on September 18, 2007, management and administrative fees may decline in the coming fiscal year.

### ***Shareholder Communications and Promotional Expenses***

	October 31, 2007	October 31, 2006
Shareholder Communications & Promotion	43,786	42,053

As the Company is still in the early stages of creating an economically viable mining enterprise, shareholder communications and promotion have not represented a major expenditure until this past fiscal year and the first three months of the current fiscal year when management initiated programs to promote market awareness of the company through various mediums. It is expected that these expenses will increase in the future as operations and promotional efforts continue to build.

### ***Transfer Agent & Filing Fees***

Transfer agent and filing fees relating to the three month period ended **October 31, 2007** was \$3,811 in contrast with \$11,257 in same period 2006. The company engaged in several equity financings in the three month period ended October 31, 2006, increasing transfer agent and filing fees. In the most recent fiscal period there has been no significant fundraising activity to warrant any significant filing fees with the regulatory bodies or transfer agent.

### ***Liquidity & Capital Resources***

The Company's cash balance was \$196,718 (working capital deficit of \$70,914) at **October 31, 2007** compared with a cash balance of \$1,216,331 (working capital of \$1,204,525) on **October 31, 2006**. Since the Company has become much more active over recent months acquiring working interests in mineral properties, it has experienced much greater demands on its cash and working capital resources. This demand has been addressed through the company's successful equity investment program of the past fiscal year.

### ***Financing Activities***

On **June 9, 2007** the Company announced a non-brokered private placement of up to 6,600,000 units offered at a price of \$0.10 per unit (the "Offering") for gross proceeds of \$660,000. Each Unit consists of one common share and one-half (1/2) of one share purchase warrant. Each whole warrant is exercisable at a price of \$0.15 per share for up to one year from the date of issue. Subsequent to the June 9, 2007 announcement, the Company increased the size of the Offering to 8,000,000 Units, for gross proceeds of \$800,000. On **July 10, 2007**, the Company completed the private placement for gross proceeds of \$800,000. A cash finder's fee of \$18,850 was paid in connection with the Offering.

*The Company's ability to explore and, if warranted, develop further properties will be dependent upon its ability to obtain significant additional financing to ensure a future in mineral property exploration and development. Should the Company not be able to obtain such financing, its ability to participate in the development of further properties may be lost. The Company has limited financial resources, will have limited cash flow from operations, and will be dependent for funds based on its ability to sell its common shares and share purchase warrants, primarily on a private placement basis, pursuant to the policies of the TSX Venture Exchange.*

*There can be no assurance that the Company will be able to engage in such financings in light of factors such as the market demand for its securities, the general state of financial markets and other relevant factors. If such a method of financing is employed by the Company it will result in increased dilution to the existing shareholders each time a private placement is conducted.*

*The Company has no assurance that additional funding will be available to it for the exploration and development of future projects. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of any projects with the possible loss of such properties.*

### **Cash Flow and Earnings**

Yankee Hat Minerals Ltd. expects that until it receives substantial revenues from newly acquired mineral assets it may be subject to funding its operating activities from the sale and issuance of equity securities.

### **Related Party Transactions**

During the three month period ended October 31, 2007, the Company entered into the following transactions with related parties:

- a) Paid or accrued \$32,000 (2006 - \$Nil) for management fees to officers of the Company;
- b) Paid or accrued \$6,000 (2006 - \$27,000) for management fees paid to companies controlled by directors or officers of the Company;
- d) Paid or accrued \$6,000 (2006 - \$Nil) for administrative expenses paid to a relative of a director of the Company; and
- e) Paid or accrued \$3,403 (2006 - \$Nil) for rent to a company with a common director of the Company.

These transactions have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Advance and prepaid expenses include \$2,000 (2006 - \$Nil) prepayment to an officer of the Company for management fees.

Accounts payable and accrued liabilities include \$43,246 (2006 - \$1,707) due to officers and a former officer of the Company and a relative of an officer of the Company.

Amounts due to directors, companies owned by directors, former directors, the officers of the Company, and the relative of a director of the company are unsecured, non-interest bearing and with no fixed terms of repayment accordingly, the fair value cannot be readily determined.

### **Off Balance Sheet Arrangements**

The Company is not a party to any off balance sheet arrangements or transactions.

### **Stock Based Compensation**

As a result of the adoption of fair value accounting for stock options the Company recorded stock-based compensation expense of \$179,484 for the three month period ended October 31, 2007 (2006 - \$1,225). The fair value is determined using the Black-Scholes-Merton Option Pricing Model. Prior to the adoption of this standard no compensation was recognized for stock options issued to employees.

### **Shares Options & Warrants Outstanding**

The undiluted total common shares without par value outstanding on October 31, 2007 is 47,965,872.

The fully diluted total common shares outstanding are as follows:

Shares	Category	Expiry Date
6,277,775	Warrants priced at \$0.40	September 27, 2008
1,255,554	627,777 Warrants priced at \$0.18 for units which include one warrant priced at \$0.30 in year 1 and \$0.40 in year 2	September 27, 2008
1,393,501	Warrants priced at \$0.30 in year 1 and \$0.35 in year 2	December 5, 2008
4,000,000	Warrants priced at \$0.15	July 10, 2008
35,000	Options priced at \$0.10	November 17, 2007
240,000	Options priced at \$0.18	September 21, 2008
75,000	Options priced at \$0.10	January 28, 2009
225,000	Options priced at \$0.10	March 12, 2009
1,500,000	Options priced at \$0.14	July 27, 2009
600,000	Options priced at \$0.15	September 20, 2009
450,000	Options priced at \$0.16	January 21, 2010
700,000	Options priced at \$0.16	August 3, 2011
660,000	Options priced at \$0.12	October 13, 2011
950,000	Options priced at \$0.10	June 21, 2012
18,361,830	<b>Total Warrants and Options</b>	
<b>66,327,702</b>	<b>Fully diluted shares outstanding</b>	

If the currently outstanding warrants and options were all exercised immediately, this would provide a total of \$4,565,393 to the Company.

## **Critical Accounting Policies**

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The Company's 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.

The audit committee of the Board of Directors has reviewed the corporate disclosures in this MD&A.

### ***Financial Reporting Controls***

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible to ensure that information disclosed externally, including the financial statements and MD&A, is complete and reliable. Management has evaluated the effectiveness of the Company's disclosure controls and procedures as of October 31, 2007, and concluded that, as of that date, the Company's disclosure controls and procedures were effective.

### ***Mineral Properties***

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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 for impairment 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.

### **Cost of Maintaining Mineral Properties**

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

### **Environmental Protection and Rehabilitation Costs**

Liabilities related to environmental protection and rehabilitation costs are accrued and charged to income when their likelihood of occurrence is established. This includes future removal and site restoration costs as required due to environmental law or contracts.

### **Provision for Site Restoration**

Site restoration and cleanup costs for exploration projects are estimated and charged to operations when reasonably determinable. Upon commencement of production, estimated future costs for reclamation and closure of producing properties will be provided over the life of the ore body on a unit-of-production basis.

## ***Quantitative and Qualitative Risks***

### ***Credit and Interest Rate Risk***

The Company has no long-term debt, with accounts payable and accrued liabilities being short-term non-interest bearing. Interest rate risk is limited to interest bearing assets of cash and cash equivalents and short-term investments.

### ***Hedging, Sales Contracts, Commodity and Derivative Instruments***

The Company is not engaged in any commodity price hedging and has no sales contracts, commodity or derivative instruments in place.

### ***Business Risk***

Yankee Hat's financial results may be significantly influenced by its business environment. Business risks include, but are not limited to:

- Cost to find, develop, produce and deliver commodities;
- Relationships with any current or potential joint venture partners;
- Satisfactory title to property it has agreed to develop;
- Government regulations; and
- Cost of capital.

### ***Joint Ventures***

Some of the mineral properties in which Yankee Hat has an interest may be operated through joint ventures with other companies. Any failure of such other companies to meet their obligations to Yankee Hat, or to other third parties, could have a material adverse effect on the mineral exploration joint ventures. In addition, Yankee Hat may be unable to exert control over strategic decisions made in respect of these properties.

### ***Uncertainty of Exploration and Development Programs***

Mineral exploration involves a high degree of risk and there is no assurance that expenditures made on exploration by the Company will result in discoveries or production of minerals in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling unknown formations, the costs associated with encountering various drilling. The long-term success of the Company's mineral programs depends on its ability to find, acquire, develop and commercially produce mineral properties. There is no assurance that the Company will be able to locate satisfactory properties for acquisition or participation. Even if such acquisitions or participations are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. Future mineral exploration may involve unprofitable efforts, not only from unsuccessful exploration drilling, but also from deposits that do not produce sufficient net revenues to return a profit after mining, operating and other costs. In addition, mining hazards or environmental damage could greatly increase the costs of operations, and various field operating conditions, such as delays in obtaining any necessary governmental consent or approvals, extreme weather conditions or insufficient transportation capacity, may adversely affect the production from successful mines. Mineral exploration and development activities are also dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities.

### ***Future Acquisitions***

Yankee Hat undertakes evaluations of potential opportunities to acquire additional mining assets from time to time. Any resultant acquisitions or joint ventures may be significant in size, may change the scale of Yankee Hat's business and may expose the Company to new geographic, political, operating, financial and geological risks. Yankee Hat's success in its growth strategies depends on its ability to identify suitable acquisitions, acquire them on acceptable terms and integrate them successfully into those already in existence. Any future acquisitions would be accompanied by risks, such as changes in commodity prices, reserves proving to be below expectations; the difficulty of assimilating the operations and personnel of any acquired companies; the potential disruption of Yankee Hat's ongoing business; the inability of management to maximize the financial and strategic position of Yankee Hat through the successful integrations of acquired assets; the maintenance of uniform standards, controls, procedures and policies; the potential unknown liabilities associated with acquired assets and businesses. In addition, Yankee Hat may need additional capital to finance new acquisitions of assets. Equity financing may expose the Company and its existing shareholders to dilution. There can be no assurance that Yankee Hat would be successful in overcoming these risks or any other problems encountered in connection with such acquisition of assets.

### ***Regulatory Risk***

The operations of all mineral explorers and producers, are subject to extensive controls and regulations imposed by various levels of government. The Company monitors and adheres to all regulations which could affect its operations and has established standards of operating practice which are designed to minimize risk to our employees, the community and the environment. Changes to regulations could have an adverse effect on the Company's results of operations and financial condition.

### ***Safety and Environmental Risks***

The mineral exploration business is subject to extensive regulation pursuant to various state, national and international conventions and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on mine size, mill size, overburden and tailings management. Yankee Hat is committed to meeting its environmental and safety policy that is designed, at minimum to comply with current governmental regulations set for the mineral exploration industry. Changes to government regulations are monitored to ensure compliance. Environmental reviews are completed as part of the due diligence process when evaluating acquisitions and developments.

## Summary of Quarterly Results

The following table sets out selected consolidated quarterly information up to the first quarter of the 2007-2008 fiscal year including all quarters of Fiscal 2007 and 2006:

<b>Each Quarter Ended 2008</b>	<b>Q1 - October 31/07</b>	<b>Q2 - January 31/08</b>	<b>Q3 - April 30/08</b>	<b>Q4 - July 31/08</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	1,272	-	-	-
Loss	(334,877)	-	-	-
Loss per common share (\$)	(0.01)	-	-	-
<b>Each Quarter Ended 2007</b>	<b>Q1 - October 31/06</b>	<b>Q2 - January 31/07</b>	<b>Q3 - April 30/07</b>	<b>Q4 - July 31/07</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	4,716	8,916	18,636	-
Loss before recovery of future income tax	(108,403)	(179,976)	(423,494)	353,538
Loss per common share (\$)	(0.01)	(0.01)	(0.01)	(0.01)
<b>Each Quarter Ended 2006</b>	<b>Q1 - October 31/05</b>	<b>Q2 - January 31/06</b>	<b>Q3 - April 30/06</b>	<b>Q4 - July 31/06</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	653	7,993	-	1,198
Loss	(100,743)	(68,711)	(78,708)	(461,803)
Loss per common share (\$)	(0.001)	(0.01)	(0.01)	(0.01)

## **SUBSEQUENT EVENTS**

1. On November 29, 2007, the Company announced its intent to conduct a non-brokered private placement of 6,666,667 Units at a price of \$0.15 per unit for gross proceeds of \$1,000,000. Each unit consists of one common share of the Company and one half share purchase warrant, with one whole 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 of the Offering.
2. On November 9, 2007, the Company announced a Letter of Intent to acquire up to a 70% undivided working interest in the Georges Lake Gold Property, located in La Ronge, Saskatchewan.

Under the terms of the Letter of Intent, Yankee Hat will be granted, subject to an existing 0.5 percent Net Smelter Return Royalty (“NSR”) and a 10 percent carried interest owned by an unrelated party, sole and exclusive rights to earn up to 70 percent interest in the property in consideration of incurring a total of \$1.5 million in expenditures on the property over a period of three years. Of the 10 percent carried interest, 5 percent may be purchased at any time for a payment of \$2.0 million, and the 0.5 percent NSR can be purchased at any time for one-time payment of \$250,000. The 70 percent interest in the property can be earned in accordance with the following schedule:

- \$750,000 on or before December 31, 2008, to earn 50 percent interest in the property;
- an additional \$375,000 on or before December 31, 2009, to earn an additional 10 percent interest in the property; and
- an additional \$375,000 on or before December 31, 2010, to earn an additional 10 percent interest for a total 70 percent interest in the property.