



(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS

For the Six Month Period Ended January 31, 2010

Management Discussions & Analysis of Operating Results and Financial Condition for the Three Month Period Ended January 31, 2010

March 31, 2010

The following discussion and analysis should be read in conjunction with the management prepared financial statements of Yankee Hat Minerals Ltd. (the “Company”) for the six month period ended January 31, 2010 and the Company’s annual audited financial statements for the year ended July 31, 2009. 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.

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”, “expectation” 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 and investor support, to exploit undervalued strategic metals properties.

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

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.

Fran Property, Omineca Mining District, British Columbia

By agreement dated March 21, 2004, the Company acquired by way of an option from Mr. Richard Haslinger of British Columbia ("Haslinger") 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", subject to a 2% net smelter return royalty ("NSR") and the payment of an additional \$30,000 per year in future royalty payments beginning March 31, 2009.

As at January 31, 2010 and to date the \$30,000 for future royalty payments due March 31, 2009 has not been paid. Haslinger has agreed that although the advance royalty payments are not yet paid, the claims and option agreement are still in good standing pending the future payment of this amount and as such it has been accrued.

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

The Fran Property is 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.

During the year ended July 31, 2007, the Company staked an additional 12 mineral claims targeting areas where the Contact Zones may extend beyond current boundaries.

Owing to a lack of funding no further exploration work has been conducted on this property since 2007. However, the property remains a focus for the Company and in anticipation of funding becoming available all data on the property has been given to Murgor Resources Inc., a consultant, for compilation into a comprehensive 3D model so that continuity on the property can be estimated and drill targets can be identified for further exploration and definition of the deposit.

The Company has been named in claim commenced in the Supreme Court of British Columbia by Manto Resources Ltd. ("Manto") against the Company and various vendors of the Fran property alleging that the Company breached its duties owed to Manto in entering into the option agreement while negotiating a joint venture with Manto. No amount has been specified in the claim, however it is expected to be in excess of \$200,000. Management believes the claim is without merit and intends to defend the action.



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 (paid);
- d) pay \$15,000 on or before September 11, 2009 (paid);
- e) pay \$15,000 on or before September 11, 2010; and
- f) incur exploration expenditures of not less than \$100,000 on or before October 31, 2008 (incurred).

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 the 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). 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 the 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.

On 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.

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 but do not conform with current NI 43-101 standards).

REE/Lancer Property, Yukon Territory

On April 8, 2008, the Company announced that it has entered into a 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 the Watson Lake region of south central Yukon. The REE/Lancer Project is unique because it is one of only a couple rare earth element projects in North America that are road accessible and have an extensive history of previous exploration. The property is accessible via 90 kilometers of paved and all weather roads from the town of Ross River, and is just 18 kilometers by road from the modern Ketzta gold mine mill which is in stand-by condition.

Under the terms of the agreement, the Company will issue a total of 6,666,666 common shares (issued) in three installments to earn the 100% interest. One third of these shares were issued on regulatory approval of the transaction, one third on the first anniversary of the approval date and the final third on the second anniversary of the approval date. On May 7, 2008, the Company received final exchange approval on the transaction.



Kidlark Property, Yukon Territory

During the year ended July 31, 2009, the Company acquired an initial 40% joint venture interest in a group of 102 mineral claims located in the Pelly Mountains approximately 90km northeast of Whitehorse, Yukon from a company having a common director and officer.

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

Subsequent to acquiring its initial joint venture the interest, the Company has not contributed its full share of exploration costs related to the JOGMEC Joint Venture. As at January 31, 2010, the Company's joint venture interest in each of the Kidlark and Selwyn properties has been diluted down to an approximate 25.6% joint venture interest.

The Company is the operator under the JOGMEC Joint Venture pursuant to which it received exploration receipts totaling \$521,030 and spent \$493,592 in exploration expenditures for a net operating income of \$27,438. As the income from operating the JOGMEC Joint Venture is not related to the Company's primary business of exploring and mining mineral properties the net operator income has been shown under other income and not as revenue and expense on the statement of operations. In addition the Company also received \$18,000 in grants which have also been shown as other income.

The Kidlark property was discovered after finding interesting showings which led to sampling and trenching on the property in September 2008 and October 2008. Eighteen grab samples were taken from the Property and submitted to EcoTech Laboratories in Whitehorse for testing. Assay results for the samples ranged up to 7.68% WO₃ and averaged 1.463% WO₃ with visual estimations of scheelite content by UV fluorescence correlating well with WO₃ % content. The 18 samples were taken from 5 distinct showings over 13 kilometers along a single geological contact. Detailed information on these samples is available on the company website at www.yankeehatminerals.com.

An exploration program was carried out in the summer of 2009 that started with various geological examinations and sampling to generate drill targets which were drilled in August. Results of this drilling are still being compiled.

Selwyn Properties, Yukon Territory

During the year ended July 31, 2009, the Company acquired an initial 40% joint venture interest in a group of 299 mineral claims from a company having a common director and officer. These claims are located in several property groups, including the Molly, Joey, Suki, and Tommy properties, throughout mid-central Yukon Territory.

The Selwyn Properties are subject to the JOGMEC Joint Venture, see Kidlark Property above.

As at January 31, 2010, pursuant to the JOGMEC Joint Venture, the Company's joint venture interest in the Selwyn Properties has been diluted to an approximate 25.6% joint venture interest.



Operating 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 January 31, 2010, 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 mineral properties at this time. Future revenues may be obtained from mineral exploration projects currently contemplated for development in British Columbia or the Yukon Territory.

The Company does, however have limited revenue of \$45,438 for the six month period ended January 31, 2010 from operator fees and grants related to the Selwyn and Kidlark properties (see above) (2008 - \$20,812). This revenue has been recorded as other income and is not considered net sales for the discussion below as it is not revenue generated by the exploration and mining of mineral properties.

Operating Expenses

Comparative Overall Annual Results

Net sales, net loss, diluted loss per common share, total assets and total long-term liabilities for the most recently completed fiscal years ended July 31, 2009, 2008, and 2007 are as follows:

	July 31, 2009	July 31, 2008	July 31, 2007
Net sales	Nil	Nil	Nil
Net loss before income tax provision	(1,767,062)	(1,996,381)	(1,065,411)
Net loss for year	(1,439,169)	(1,996,381)	(594,272)
Basic and diluted loss per share	(0.02)	(0.04)	(0.02)
Total Assets	5,146,870	5,927,908	3,809,879
Total Long-Term Liabilities	Nil	Nil	Nil



Comparative Overall Results

Net sales, net loss, diluted loss per common share, total assets and total long-term liabilities for the six month periods ended January 31, 2010 and 2009 are as follows:

	January 31, 2010	January 31, 2009
Net sales	Nil	Nil
Net loss for period	\$(151,267)	\$(273,847)
Basic and diluted loss per share	(0.00)	(0.00)
Total Assets	4,719,783	5,589,506
Total Long-Term Liabilities	Nil	Nil

Overall business activity in the Company has been lower in recent months mostly due to the fact that the exploration activity that the Company is planning and carrying out is located on properties in northern Canada where the exploration season spans only the summer months. The Company carried out its exploration of the Kidlark property in the 2009 summer exploration season and successfully drilled five holes on three showings on the property. Results are still being compiled from this program. Expenses in the most recent six month period ended January 31, 2010 were far less than in the six month period ended January 31, 2009 with key reductions in management fees, consulting, and travel. The Company is focussed on raising funds to reduce debt levels and to allow for the exploration of its mineral properties.

Management, Professional and Consulting Fees

Management fees, professional fees and consulting fees were as follows:

	January 31, 2010	January 31, 2009
Management Fees	\$ 80,667	\$ 121,708
Professional Fees	20,682	13,725
Consulting Fees	20,000	68,500

Management and consulting fees decreased in the recent six month period with the decreased exploration work of the Company. This is in-step with the associated costs of managing the suite of projects that the Company has been developing over the past fiscal periods, and the activity of fundraising for future exploration on the Company's mineral properties. Professional fees was higher than in the previous six month period due primarily to increased audit fees for the year ended July 31, 2009.

Investor Relations and Promotional Expenses

	January 31, 2010	January 31, 2009
Investor Relations & Promotion	16,310	39,496

As the Company is still in the early stages of creating an economically viable mineral exploration enterprise, shareholder communications and promotion have not represented a major expenditure until this past fiscal year and the current fiscal year when management initiated programs to promote market awareness of the company through various mediums. In recent months, the amounts expended on investor relations decreased as it was felt that capital markets were not responding to news of the Company's exploration programs in the Yukon. It is expected that these expenses will increase in the future as operations and the general economic outlook continues to build and investors are ready to respond to the Company's quality suite of mineral properties.



Filing & Transfer Agent Fees

Filing and transfer agent fees relating to the six month period ended January 31, 2010 were \$11,023, much lower than the \$17,260 in same period in 2009. Mineral property transaction, private placement and other share issuance activity was lower in the recent fiscal period than in the previous fiscal period. The company has not engaged in any major fund raising in the recent fiscal period.

Liquidity & Capital Resources

The Company's cash balance was \$25,420 (working capital deficit of \$871,268) at October 31, 2009 compared with a cash balance \$22,994 (working capital deficit of \$1,214,506) on October 31, 2008. The Company has taken actions to reduce payables and maintain its cash balance in a tough economic environment. The Company has become leaner with the goal of conserving cash.

Occupancy Costs and Office and Administration & Miscellaneous

During the six months ended January 31, 2010 Occupancy costs and Office and administration & miscellaneous amounted to \$24,109 which were significantly lower than the corresponding period ending January 31, 2009 where they were \$31,058. This drop can be attributed to decreased activity within the Company due to cash conservation efforts.

Other Income and Expenses

Other than the operator and grant income noted above the Company did not have any other income or expenses during the six months ended January 31, 2010. During the same six month period ended January 31, 2009 the Company had equipment rental income of \$22,000, a recovery of reconnaissance costs of \$172,596 and write off of a mineral property for \$135,000. The net effect of these none recurring items was a \$59,596 net reduction of net loss for the six months ended January 31, 2009.

Financing Activities

Prior to July 31, 2009, the Company has received \$50,000 for share subscriptions which it closed during the six months ended January 31, 2010 through the issuance of 1,900,000 common shares for total proceeds of \$95,000.

As at January 31, 2010 the Company had the follow common shares issued and outstanding:

	<u>Three month period ended January 31, 2010</u>	
	<u>Number of</u>	
	<u>Shares</u>	<u>Amount</u>
Balance, beginning of period	86,109,724	\$ 16,641,944
Issued during the period		
- for cash	1,900,000	95,000
Balance, end of period	<u>88,009,724</u>	<u>\$ 16,736,944</u>

Subsequent to January 31, 2010 the Company issued 2,222,222 common shares as part of the Lancer Property acquisition.

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 will be subject to funding its operating activities from the sale and issuance of equity securities.

Related Party Transactions

The following transactions were incurred with directors and companies controlled by the directors in the six month period ended January 31, 2010:

Management fees paid to officers of the Company	\$	81,000
Consulting fees paid to a company with a common director		15,000
Rent paid to a company with a common director		<u>14,500</u>
	\$	<u>110,500</u>

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount agreed to by the related parties. Amounts due to and from related parties are unsecured, non-interest bearing and have no fixed terms of repayment, and accordingly the fair value of the amounts cannot be readily determined.

Prepaid expenses, at January 31, 2010, includes a rent deposit of \$9,820 paid to a company with a director in common with the Company.

Accounts payable and accrued liabilities, at January 31, 2010, includes \$70,680 due to directors and officers of the Company and companies with directors in common with the Company.

Loans payable, at January 31, 2010, of \$388,439 are made up of advances from a public company with directors and officers in common as to:

- \$274,262 which is unsecured, bears interest of 6% and is due on demand; and
- \$114,177 which does not bear interest. Of this amount \$14,000 is secured by a truck and is due on June 30, 2010. The balance is unsecured and due on demand.

Off Balance Sheet Arrangements

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



Recently Adopted Canadian Accounting Standards and Changes in Accounting Principles

Goodwill and Intangible Assets

The Canadian Accounting Standards Board (“AcSB”) issued Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company has adopted the new standards for its fiscal year beginning August 1, 2009. The Company has determined that the adoption of this new Section has not had a material effect on its financial statements.

Shares Options & Warrants Outstanding

There were no Warrants outstanding as at January 31, 2010.

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

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
625,000	\$0.15	March 16, 2010
375,000	\$0.15	July 1, 2010
330,000	\$0.12	October 13, 2011
750,000	\$0.10	June 21, 2012
<u>550,000</u>	\$0.15	March 16, 2013
<u>2,630,000</u>		

Subsequent to January 31, 2010 the March 16, 2010 options expired unexercised.



Summary of Quarterly Results

The following table sets out selected quarterly information for the most recent nine fiscal quarters:

Each Quarter Ended 2010	Q1 - October 31/09	Q2 - January 31/10	Q3 - April 30/10	Q4 - July 31/10
	\$	\$	\$	\$
Other income	24,838	20,600	n/a	n/a
Net Loss	(67,558)	(83,709)	n/a	n/a
Loss per common share (\$)	(0.00)	(0.00)	n/a	n/a
Each Quarter Ended 2009	Q1 - October 31/08	Q2 - January 31/09	Q3 - April 30/09	Q4 - July 31/09
	\$	\$	\$	\$
Other income	51,379	784	36	14,361
Net Loss	(142,639)	(131,209)	(197,855)	(967,466)
Loss per common share (\$)	(0.002)	(0.002)	(0.003)	(0.012)
Each Quarter Ended 2008	Q1 - October 31/07	Q2 - January 31/08	Q3 - April 30/08	Q4 - July 31/08
	\$	\$	\$	\$
Other income	1,272	293	294	10,271
Net Loss	(334,877)	(313,450)	(269,497)	(1,078,557)
Loss per common share (\$)	(0.01)	(0.01)	(0.01)	(0.01)

Quarterly expenditures reflect the activity levels during the quarter. The increase in recent quarterly losses is primarily a result of decreased operator revenue and an increase in professional fees from the completion of the audit for the year ended July 31, 2009 which was completed in early November 2009. The other expenses have been held relatively constant although the Company implemented an aggressive acquisition and exploration program in 2008. The large increase in net loss in the fourth quarter of the year ended July 31, 2009 is due to mineral property write offs as the Company streamlined its holdings to concentrate on its most promising assets.

Financial Instruments

All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of changes in the fair value of financial instruments depends on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, investments held to maturity and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, derecognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Transaction costs related to debt financings will be expensed in the period incurred.



The Company's financial instruments consist of cash and cash equivalents, which are classified as held-for-trading, and accounts payable, exploration advances received, rent advances received, loans payable and subscriptions received, which are classified as other financial liabilities, and amounts receivable which are classified as loans and receivables. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments

Foreign Exchange Risk:

The Company has a minimal exposure to the US\$ and is subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in this currency. The Company considers this risk to be relatively limited and therefore does not hedge its foreign exchange risk.

Credit Risk:

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The majority of the Company's cash is held with large Canadian banks.

Interest Rate Risk:

Included in the loss for the year in the consolidated financial statements is interest income on Canadian dollar cash. As at January 31, 2010, the Company was not subject to or exposed to any interest rate risk.

Liquidity Risk:

The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities are current.

Commodity Price Risk:

The Company's ability to raise capital to fund operation of its mineral properties is subject to risks associated with fluctuations in the market prices of commodities.



RISKS AND UNCERTAINTIES

The Company's financial statements are impacted by the accounting policies used, and the estimates and assumptions made by management during their preparation. The Company's accounting policies are described in Note 3 to the audited consolidated financial statements as at July 31, 2009. The accounting estimates considered to be significant to the Company include the review of the carrying values of resource properties and deferred exploration expenditures.

Management reviews the carrying values of its resource properties usually on a quarterly, but at least on an annual basis to determine whether any impairment should be recognized.

The exploration for, and the development of industrial mineral deposits are highly speculative activities and are subject to significant risks. The Company's ability to realize its investments in exploration projects is dependent upon a number of factors, including its ability to continue to raise the financing necessary to complete the exploration and development of those projects and the existence of economically recoverable reserves within its projects. Other significant risks are listed below.

Stage of Development

The Company's properties are in the exploration stage and the Company does not have an operating history. Exploration and development of mineral resources involves a high degree of risk and few properties which are explored are ultimately developed into producing properties. The amounts attributed to the Company's interest in its properties as reflected in its financial statements represent acquisition and exploration expenses and should not be taken to represent realizable value. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors such as unusual or unexpected geological formations, and other conditions.

As a result of the Company's lack of operating history, it also faces many of the risks inherent in starting a new business.

Environmental Risks

Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in exploration programs. Unknowns with respect to geological structures and other conditions are also involved. Existing and future environmental laws may cause additional expense and delays in the activities of the Company and may render the Company's properties uneconomic. The Company has liability insurance, however the Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material adverse effect on the Company's financial position.

Future Financings

If the Company's exploration programs are successful, additional funds will be required for further exploration and development to place a property into commercial production. The only source of future funds presently available to the Company is through the sale of equity capital or the offering by the Company of an interest in any of its properties to be earned by another party or parties carrying out further exploration or development thereof. There is no assurance that such sources will continue to be available on favourable terms or at all. If available, future equity financings may result in substantial dilution to current shareholders.

Profitability of Operations

The Company is not currently operating profitably and it should be anticipated that it will operate at a loss at least until such time as production is achieved from one of the Company's properties, if production is, in fact, ever achieved. The Company has never earned a profit. Investors also cannot expect to receive any dividends on their investment in the foreseeable future.

Uncertainly of Title

The Company's properties may be subject to native land claims or government regulations.



International Financial Reporting Standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles (“GAAP”) and IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of November 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011.

The Company has recently hired a consultant to help it implement IFRS and plans on spending the period through to May 2010 preparing and planning for IFRS and then the following quarter, implementing IFRS. Therefore, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.