



(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS

For the Year Ended July 31, 2010

Management Discussions & Analysis of Operating Results and Financial Condition for the Year Ended July 31, 2010

November 29, 2010

The following discussion and analysis should be read in conjunction with the annual audited financial statements of Yankee Hat Minerals Ltd. (the “Company”) for the year ended July 31, 2010. 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” or “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 precious and strategic metal 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

Additional particulars of all projects can be found in the Company's public disclosure documents on SEDAR, the electronic data base at www.sedar.com.

	Balance		Balance	
	July 31,		July 31,	
	2009	Additions	Recoveries	2010
Acquisition costs:				
Fran Property	\$ 389,500	\$ 30,000	\$ -	\$ 419,500
Kidlark Property	263,925	-	(263,925)	-
Lancer Property	577,778	81,536	-	659,314
Selwyn Properties	38,800	-	-	38,800
Union Mine Property	154,165	15,000	-	169,165
	1,424,168	126,536	(263,925)	1,286,779
Exploration costs:				
Fran Property	3,003,914	5,853	-	3,009,767
Kidlark Property	4,024	545,586	(299,661)	249,949
Selwyn Properties	36,541	-	-	36,541
Union Mine Property	101,229	-	-	101,229
	3,145,708	551,439	(299,661)	3,397,486
	\$ 4,569,876	\$ 677,975	\$ (563,586)	\$ 4,684,265

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 three 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 July 31, 2010 and to date the \$60,000 for future royalty payments due March 31, 2009 and March 31, 2010 have not been paid and are included in accounts payable. Haslinger has verbally 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 included in accounts payable.

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



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.

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.

Owing to a lack of funding no exploration work had been conducted on this property since 2007. However, the property remains a focus for the Company and in anticipation of an upcoming drill program to commence in December 2010, all data on the property has been given to Dr. Jean-Philippe Desrochers and Neil Richardson, consulting geologists, 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 and management believes the claim is without merit and intends to defend the action.

Kidlark Property, Yukon Territory

During the year ended July 31, 2009, the Company entered into an asset purchase agreement to purchase a 100% 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 for consideration of \$662,000. The Company also entered into a joint venture agreement with a Japanese government corporation (“JOGMEC”) whereby JOGMEC acquired a 60% joint venture interest in the properties by agreeing to contribute 60% of future expenditures as payment for their interest.

Pursuant to the terms of this joint venture agreement JOGMEC and the Company, are each responsible for their share of the combined expenditures on the Kidlark Property and the Selwyn Properties (the “JOGMEC Joint Venture”). Should one party fail to meet its share of the combined expenditures 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 interest, the Company has not contributed its full share of expenditures related to the JOGMEC Joint Venture. As at July 31, 2010, the Company’s joint venture interest in each of the Kidlark and Selwyn properties has been diluted down to a 25% joint venture interest.

The Company is the operator under the JOGMEC Joint Venture pursuant to which it received an operating fee of \$23,778 (2009 - \$34,916) related to the expenditure of \$545,586 (2009 - \$650,742) on the properties. JOGMEC’s funding of the JOGMEC Joint Venture has been recorded as a recovery of acquisition and exploration costs. 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 has also been shown as a recovery of exploration costs.

Subsequent to July 31, 2010, the JOGMEC Joint Venture was terminated and JOGMEC transferred their 75% joint venture interest to the Company, giving the Company undivided 100% ownership of the properties. In exchange the Company granted JOGMEC an option to repurchase a 75% joint venture interest in the properties until August 1, 2014 for the sum of \$1 plus two times the amount of any exploration expenditures incurred by the Company after September 30, 2010.



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% net smelter return royalty) in two contiguous rare earth element properties located in the Watson Lake region of south central Yukon. The Lancer Property is unique because it is one of only a small number of 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 Ketz gold mine mill which is in stand-by condition.

Under the terms of the agreement, in the year ended July 31, 2010, the Company issued 2,222,222 common shares (2009: 2,222,222) for a cumulative total of 6,666,666 shares over three years to earn the 100% interest in the property, subject to a 2% net smelter return royalty.

Selwyn Properties, Yukon Territory

During the year ended July 31, 2008, 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.

Subsequent to July 31, 2010 As at July 31, 2010 the JOGMEC Joint Venture was terminated giving the Company a 100% interest in the properties.

Union 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 on the following terms:

- i) pay \$30,000 (paid) and issue 175,000 common shares (issued);
- ii) pay \$15,000 on or before September 11, 2007 (paid);
- iii) pay \$15,000 on or before September 11, 2008 (paid);
- iv) pay \$15,000 on or before September 11, 2009 (paid);
- v) pay \$15,000 on or before September 11, 2010;(paid subsequent to July 31, 2010);
- vi) incurring exploration expenditures of not less than \$100,000 on or before October 31, 2008 (incurred).

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

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



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 July 31, 2010 and to date 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 has operator fees of \$23,778 for the year ended July 31, 2010 related to the Selwyn and Kidlark properties (see above) (2009 - \$34,916) but this 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, 2010, 2009 and 2008 are as follows:

	July 31, 2010 \$	July 31, 2009 \$	July 31, 2008 \$
Net sales	Nil	Nil	Nil
Net loss before income tax provision	(888,745)	(1,767,062)	(1,996,381)
Net loss for year	(806,686)	(1,439,169)	(1,996,381)
Basic and diluted loss per share	(0.01)	(0.02)	(0.04)
Total Assets	4,776,789	5,146,870	5,927,908
Total Long-Term Liabilities	Nil	Nil	Nil

Overall business activity in the Company has been lower in recent months mostly due to the fact that the Company has been in the process of raising cash for future exploration and to reduce its debt. The Company carried out exploration of the Kidlark property in the 2009 summer exploration season and successfully drilled five holes on three showings on the property. While the results of this program were encouraging, due to the high cost of exploring mineral properties in the Yukon, the Company has decided to concentrate on the Fran gold property in British Columbia. General and administrative expenses, excluding non-cash stock based compensation expense, during the year ended July 31, 2010 were far less than during the year ended July 31, 2009 with key reductions in management fees, consulting, and travel.



Management, Professional and Consulting Fees

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

	For the year ended July 31, 2010 \$	For the year ended July 31, 2009 \$
Management Fees	174,567	236,896
Professional Fees	78,499	52,037
Consulting Fees	50,931	122,000
Stock based compensation	295,164	24,276

Management and consulting fees decreased during the year ended July 31, 2010 as compared to July 31, 2009 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. The Company also utilized stock options as means of compensating and motivating its management and consultants and as a result stock based compensation, a non-cash charge related to the issuance of the stock options, increased significantly during the year ended July 31, 2010 from the prior year. Professional fees increased slightly from prior periods due to increased audit and legal fees.

Investor Relations

	For the year ended July 31, 2010 \$	For the year ended July 31, 2009 \$
Investor Relations	26,830	60,724

In the recent year the amount expended on investor relations decreased as it was felt that capital markets were not responding to news of the Company's exploration programs. 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 and Commissions and Finders' Fees

Filing and transfer agent fees relating to the year ended July 31, 2010 were \$19,900, much lower than the \$31,480 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 year and consequently commissions or finders' fees for the year ended July 31, 2010 were nil while during the year ended July 31, 2009 it did do some financings and paid fees totaling \$38,520. Subsequent to July 31, 2010 the Company closed two tranches of a private placement.

Occupancy Costs and Office and Administration & Miscellaneous

During the year ended July 31, 2010 occupancy costs and office and administration & miscellaneous amounted to \$60,119 which were roughly the same as for the corresponding year ending July 31, 2009 where they were \$60,024.

Interest Expense

Interest expense was significantly lower during the year ended July 31, 2010 at \$22,263 than during the year ended July 31, 2009 where it was \$41,174 owing to several high interest short term loans during the 2009 period.



Travel

Travel costs of \$1,140 during the year ended July 31, 2010 decreased significantly from \$21,896 recorded in the prior year owing to less travel by management.

Other Income and Expenses

The Company has operator fees of \$23,778 for the year ended July 31, 2010 (2009 - \$34,916) as noted above. During the year ended July 31, 2009 the Company had equipment rental income of \$22,000, a gain on debt settlement of \$206,450, property investigation costs of \$38,854 and write off of certain of its mineral properties amounting to \$1,270,417 all of which were not repeated during the year ended July 31, 2010. The Company was however subject to a flow thru tax audit for the years ended July 31, 2004 - 2007 during the year ended July 31, 2010 which combined with regular Part XII.6 taxes resulted in Part XII.6 taxes and penalties of \$145,712 (2009 - \$13,000). The Company also wrote off its exploration data base during the year ended July 31, 2010 and recorded a loss of \$22,461 whereas during the year ended July 31, 2009 it wrote off certain of its computer equipment amounting to \$2,658.

Summary of Quarterly Results

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

Each Quarter Ended 2010	Q1 - October 31/09	Q2 - January 31/10	Q3 - April 30/10	Q4 - July 31/10
	\$	\$	\$	\$
Other income (loss)	24,838	20,600	(155,000)	47,402
Net Loss	(67,558)	(83,709)	(260,140)	(395,279)
Loss per common share (\$)	(0.001)	(0.001)	(0.003)	(0.004)
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)

Quarterly changes in expenditures through the year ended July 31, 2010 are consistent with the changes noted above for the year ended July 31, 2010, and the overall level of activity in the company over the course of the year. For the first half of the year the Company was still feeling the effects of the 2009 economic downturn and was in the process of raising cash to further its mineral exploration projects.

Fourth Quarter Results

In the last quarter of the year ended July 31, 2010, plans for raising capital and continuing exploration of the company's assets had been solidified and activity was undertaken to execute them, increasing expenditure accordingly.



Financing Activities

Prior to July 31, 2009, the Company had received \$50,000 for share subscriptions which it closed during the year ended July 31, 2010 through the issuance of 1,900,000 common shares for total proceeds of \$95,000. The Company also issued 2,222,222 common shares in conjunction with the Lancer property acquisition agreement which was a non cash transaction.

As at July 31, 2010 the Company had 90,231,946 common shares issued and outstanding:

Subsequent to July 31, 2010 the Company had the following transactions involving common shares:

- the Company closed a private placement consisting of 6,300,000 units at a price of \$0.05 per unit for gross proceeds of \$315,000. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one common share at \$0.20 until August 24, 2011. In connection with this private placement the Company paid \$28,350 and issued 567,000 warrants, with an exercise price of \$0.10 until August 24, 2011, to finders; and
- the Company also closed a private placement consisting of 11,052,270 units at a price of \$0.05 per unit for gross proceeds of \$552,614 and 1,896,934 flow-through units at a price of \$0.075 per unit for gross proceeds of \$142,270. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one common share at \$0.20 until September 9, 2011. In connection with this private placement the Company paid finders' fees of \$27,564 and issued 516,024 warrants with an exercise price of \$0.10 until September 9, 2011.

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

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

Number Outstanding	Exercise Price	Expiry Date
500,000	\$0.10	June 1, 2011
330,000	\$0.12	October 13, 2011
700,000	\$0.10	June 1, 2012
750,000	\$0.10	June 21, 2012
550,000	\$0.15	March 16, 2013
700,000	\$0.10	May 31, 2014
3,100,000	\$0.10	June 1, 2015
6,630,000		

Subsequent to July 31, 2010, the Company entered into an agreement with an investor relations company whereby the Company agreed to pay a fee of \$3,000 per month and issue 250,000 stock options to acquire an equal number of common shares at \$0.10 per share. These options expire on September 1, 2011 and vest quarterly.



Related Party Transactions

Related party transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the related party and the Company.

During the year ended July 31, 2010 the Company incurred \$174,500 in management fees paid to various officers, directors and private companies controlled by them. The Company also incurred \$30,000 in consulting fees by a private company with a director and officer in common. Occupancy costs of \$21,339 were paid to various companies with officers and directors in common.

As at July 31, 2010, prepaid expenses included a rent deposit of \$9,820 paid to a company with a director in common with the Company.

Included in due to related parties is \$322,675 in unsecured, non-interest bearing loans with no specific terms of repayment from officers, directors and companies with directors and officers in common. Amounts due to related parties also include \$282,665 in loans from a company with directors and officers in common which is unsecured, has no specific terms of repayment but bears interest at 6%.

Liquidity & Going Concern

As at July 31, 2010 the Company had a cash balance of \$482, a working capital deficit of \$1,277,934, has not yet achieved profitable operations, has accumulated losses of \$14,475,695 since its inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The Company intends to raise additional capital by means of private placements of its securities and or joint venturing of its mineral properties, however 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, the marketability of its mineral properties and other relevant factors. Also it is expected that future financings of the Company will result in dilution to the existing shareholders.

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

- i. Section 3064, "Goodwill and Intangible Assets". This section replaces Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". Various changes have been made to other sections of the CICA Handbook for consistency purposes. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption of this section has had no significant impact on the Company's financial statements.
- ii. The Company also adopted CICA Handbook Section 3862, Financial Instruments – Disclosures whereby an entity shall classify and disclose fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:



- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The Company categorizes its financial instruments which are measured at fair value as level 1. The required disclosures are included in the notes to the financial statements for the year ended July 31, 2010.

- iii. In January 2009, the CICA issued EIC Abstract 173 – Credit risk and the fair value of financial assets and liabilities (“EIC-173”). EIC-173 provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 is applicable for the Company’s interim and annual consolidated financial instruments for its fiscal year ending July 31, 2010, with retroactive application. The adoption of EIC-173 had no impact on the Company’s financial statements.

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, 2010. The accounting estimates considered to be significant to the Company include the following:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in the preparation of these financial statements include, but are not limited to, recoverability of receivables, accounting for stock-based compensation, impairment of mining claims and deferred exploration costs, the physical and economic lives of equipment the determination of the likelihood that future income tax benefits can be realized and valuation allowances applied against future tax assets.

Mineral Properties

The Company capitalizes the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs include all expenditures made with respect to maintaining on site administration of exploration projects. Cost of producing properties will be amortized on a unit-of-production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.



Quantitative and Qualitative Risks

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.

Uncertainty of Title

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



International Financial Reporting Standards (“IFRS”)

On February 13, 2008, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with by 2011. The Company’s first year end under IFRS will be July 31, 2012. The Company has completed a high-level scoping study and concluded that the following IFRS standards will have the most significant impact:

- IFRS 1 – First-time adoption of IFRS
- IFRS 2 – Share Based Payments
- IFRS 6 – Exploration and evaluation of mineral resources
- IAS 16 – Property, plant and equipment
- ED 9 – Joint arrangements (replacing IAS 31 – Interests in joint ventures)
- IAS 36 – Impairment of Assets

In addition, while IFRS does not prescribe how to account for flow-through shares, common practice may differ from Canadian GAAP and some adjustment to shareholders’ equity may be required on the first-time adoption of IFRS.

The Company has updated its accounting procedures so as to collect information required under IFRS.