



(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS

For the Three Month Period Ended October 31, 2009

Management Discussions & Analysis of Operating Results and Financial Condition for the Three Month Period Ended October 31, 2009

December 30, 2009

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 three month period ended October 31, 2009 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.

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 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 (paid) and 150,000 shares (issued) 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 payment of which is to be considered as an advance against future royalty payments provided by the option (see below).

The Company has earned 100% of its interest in the Fran Property by making the fourth anniversary payment and share issue in (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 Company has the right to reduce this royalty by 1% by making a one-time cash payment of \$2,000,000.

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.



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 kilometres 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 kilometre 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
	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
FR 07-68	124.05	147.1	23.05	75.62	0.75	0.9	232	285
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
FR 07-69	142.4	185.45	43.05	141.24	0.34	18.1	260	81
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
FR07-70	131.05	161.65	30.6	100.39	1.01	1.1	350	147
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 infilled 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
FR 07-71	34.0	73.7	39.7	2.10	2.2	959	216
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
	104.5	107.4	2.9	1.04	1.3	734	34
	116.4	116.9	0.5	1.89	0.4	977	28
FR 07-72	78.9	79.9	1.0	5.18	4.9	747	70
	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	116.7	118.0	1.3	1.00	1.0	727	77
	132.4	133.9	1.5	1.76	0.3	76	27
FR07-73	146.8	148.4	1.6	1.67	0.3	294	37
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
FR 07-76	133.2	144.0	10.8	2.27	3.6	878	354
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
FR 07-77	169.6	194.2	24.5	0.37	1.7	263	332
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.

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.

There was no drilling during the 2008 or 2009 exploration seasons but an aggressive drilling program has been planned and will be implemented once funds become available. This program is intended to assist the company in providing a reserve calculation. As at the date of this report, 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.

At October 31, 2009 the \$30,000 cash advance for future royalty payments due March 31, 2009 has not been paid. The operator has agreed that although the advance was not yet paid, the claims and option agreement are still in good standing despite the late payment and this amount has been accrued.

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.

Option to Eagle Hill Exploration Corporation

On April 15, 2009 the Company entered into a Letter of Intent with Eagle Hill Exploration Corporation ("Eagle"), a company with a director and an officer in common whereby the Company will grant the option to Eagle to acquire up to a 51% interest in the Fran property.

The definitive agreement on this transaction was not completed and the optionee has stated that it does not intend to complete the agreement. An initial payment of \$100,000 that has been received from the optionee has been re-classed as a repayable short term loan.

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 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.

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 an 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.

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 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 Ketz 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 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. Two thirds of the shares have been issued as of the writing of this report.



Selwyn Properties, Yukon Territory

On July 18, 2008, the Company entered into an agreement to purchase a 40% interest in a group of 299 mineral claims for a total of \$44,823, net of reimbursements. These claims are located in several property groups throughout mid-central Yukon Territory. The claims include the Molly, Joey, Suki, Tommy and Moses claims, staked in cooperation with a Japanese government corporation ("JOGMEC"), which purchased the remaining 60% interest.

The company has entered into an agreement dated August 1, 2008 and amended September 25, 2008 with JOGMEC to continue exploration of these properties for economic deposits of minerals with a focus on the discovery of Tungsten deposits. The Company is the operator of this exploration program, and expends funds on exploration activities. JOGMEC pays a fee of 60% of the monies expended to the Company plus a 10% operator fee on their payments.

Exploration was carried out on these properties throughout the summer of 2008, and consisted of soil and trench sampling. A small amount of exploration work was carried out in the summer of 2009, but as these properties are part of the JOGMEC exploration joint venture, the ownership of these properties was diluted in 2009 to the same degree and for the same reasons as the Kidlark property (below).

Kidlark Property, Yukon Territory

On January 31, 2008 the Company entered into an asset purchase agreement to purchase a 100% interest in a group of 102 mineral claims in the Pelly mountains approximately 90km northeast of Whitehorse, Yukon. The seller is a company that has a common director and officer. Under the terms of the agreement, the Company paid total consideration of \$662,000 for the property.

The Company has also entered into an agreement with JOGMEC to continue exploration of these properties for economic deposits of minerals with a focus on the discovery of Tungsten deposits. The Company is the operator of this exploration program, and expends funds on exploration activities. JOGMEC pays a fee of 60% of the monies expended to the Company plus a 10% operator fee on their payments.

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.

The Company determined that JOGMEC would pay 100% of the summer 2009 exploration season expenses. Management expects that this will cause a dilution of the share of ownership in the property down to approximately 25% for the Company. JOGMEC's share will move to approximately 75%. These new ownership percentages will not be known for certain until the full budget is evaluated at the finish of the full program for the 2009 season and the cost paid by each party are determined.



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 October 31, 2009, 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 \$24,838 for the three month period ended October 31, 2009 from operator fees on the Selwyn and Kidlark properties (see above). In the year ended July 31, 2009, operator fees, equipment rental revenue and interest revenue of \$66,560 was earned. This revenue 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 three month periods ended October 31, 2009 and 2008 are as follows:

	October 31, 2009	October 31, 2008
Net sales	Nil	Nil
Net loss for period	\$(67,558)	\$(142,639)
Basic and diluted loss per share	(0.00)	(0.00)
Total Assets	4,788,270	5,146,870
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 three month period ended October 31, 2009 were far less than in the three month period ended October 31, 2008 with key reductions in management fees, consulting, investor relations 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 for the three month periods ended October 31, 2009 and 2008 were as follows:

	October 31, 2009	October 31, 2008
Management Fees	\$ 40,167	\$ 62,250
Professional Fees	1,820	3,718
Consulting Fees	12,000	30,000

Management professional and consulting fees all decreased in the recent three month period. This is in-step with the associated costs of managing the suite of projects that the company has been developing over the past fiscal period, and the activity of fundraising for future exploration on the Company's mineral properties.

Investor Relations and Promotional Expenses

	October 31, 2009	October 31, 2008
Investor Relations & Promotion	7,500	28,570

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 three month period ended October 31, 2009 was \$763, much lower than the \$4,911 in same period in 2008. 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 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.

Financing Activities

Prior to July 31, 2009, the end of the most recently completed fiscal year, the Company announced a non-brokered flow-through private placement offering of up to 10,000,000 shares at \$0.04 per share for total proceeds of \$400,000. The Company announced that it may pay a finders' fee of up to 7% to each of the finders of the offering. This offering replaced a previous offering of shares at \$0.05 per share. The Company closed the first tranche of this new offering by issuing 5,830,888 shares on June 25, 2009. The total funds raised were \$233,236. Finders' fees of \$7,000 were paid in respect of this closing.

Further, in relation to this private placement, the Company has received \$50,000 for share subscriptions. This private placement has not yet been closed as the Company is attempting to add more subscribers to fill the entire \$400,000 placement.

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

During the three month periods ended October 31, 2009 and 2008, the Company entered into the following transactions with related parties:

	Three Month Period Ended October 31,	
	<u>2009</u>	<u>2008</u>
Management fees, to officers of the Company	\$ 40,500	\$ 54,000
Consulting fees, to a company with a common director	7,500	15,000
Interest paid to officers of the Company	-	3,300
Rent, to a company with a common director	<u>10,071</u>	<u>-</u>
	<u>\$ 58,071</u>	<u>\$ 72,300</u>

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

Prepaid expenses includes a rent deposit of \$9,820 (October 31, 2008 - \$20,458) paid to a company with a director in common with the Company.

Loans payable of \$220,272 (October 31, 2008: \$206,000) is due to a company with a director and an officer in common with the Company.

Accounts payable and accrued liabilities includes \$37,230 (October 31, 2008 - \$769,935) due to directors and officers of the Company and companies with directors in common with the Company.

Off Balance Sheet Arrangements

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

Stock Based Compensation

The Company did not record any stock based compensation expense in the three month period ended October 31, 2009 as a result of the adoption of fair value accounting for stock options. For the three month period ended October 31, 2008, the Company recorded stock based compensation of \$6,069). The fair value of stock options is determined using the Black-Scholes Option Pricing Model.

Accounting Changes

Section 1506 revised the standards on changes in accounting policy, estimates or errors to require a change in accounting policy to be applied retrospectively (unless doing so is impracticable or is specified otherwise by a new accounting standard), changes in estimates to be recorded prospectively, and prior period errors to be corrected retrospectively. Voluntary changes in accounting policy are allowed only when they result in consolidated financial statements that provide reliable and more relevant information. In addition, these revised standards call for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the consolidated financial statements.



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

Shares Options & Warrants Outstanding

The undiluted total common shares without par value outstanding at October 31, 2009 and December 30, 2009 is 86,109,724.

The fully diluted total common shares outstanding are as follows:

Shares	Category	Expiry Date
100,000	Options priced at \$0.16	January 21, 2010
625,000	Options priced at \$0.15	March 16, 2010
375,000	Options priced at \$0.15	July 1, 2010
330,000	Options priced at \$0.12	October 13, 2011
750,000	Options priced at \$0.10	June 21, 2012
550,000	Options priced at \$0.15	March 16, 2013
2,730,000	Total Warrants and Options outstanding, October 31, 2009	
2,730,000	Total Warrants and Options outstanding, December 30, 2009	
88,839,724	Fully diluted shares outstanding, October 31, 2009	
88,839,724	Fully diluted shares outstanding, December 30, 2009	

There were no Warrants outstanding as at October 31 and December 30, 2009.



Critical Accounting Policies

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.

Mineral Properties

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 and non-interest bearing. The Company holds short-term loans payable that are unsecured, bearing interest at 6% per annum with no specified terms of repayment. The Company is exposed to the risk that the value of financial instruments will change due to movement in market interest rates. The Company does not hold interest-bearing debt with long-term maturities and therefore does not believe that interest rate risk is significant. The Company does not use derivative instruments to reduce its interest rate risk as the Company's management believes that the likely financial impact of interest rate changes does not justify using derivatives.

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 and the costs associated with encountering various drilling conditions. 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 and 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.

Contingencies

The Company has been named in a 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 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.

The Company has also been named in a claim commenced in the Yukon Small Claims Court by Barry Ernewein ("Barry"), against the Company alleging that the Company has not paid Barry for services rendered after his project with the Company terminated. The amount specified in the claim is \$16,583.49. Management believes the claim is without merit and intends to defend the action.



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	n/a	n/a	n/a
Net Loss	(67,558)	n/a	n/a	n/a
Loss per common share (\$)	(0.00)	n/a	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 decrease in recent fiscal year losses is primarily a result of a general slowdown in macroeconomic conditions. 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 streamlines its holdings to concentrate on its most promising assets.