

**YANKEE HAT MINERALS LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2006**

The following discussion and analysis of the operations, results and financial position of the Company for the three months ended October 31, 2006 should be read in conjunction with the unaudited interim financial statements and notes for the three months ended October 31, 2006. Additional information for the Company may be obtained from www.sedar.com. This discussion is dated December 28, 2006.

FORWARD LOOKING STATEMENTS

Except for historical information the Management Discussion and Analysis may contain forward looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, level of activity, performance or other achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward looking statements.

DESCRIPTION OF BUSINESS

YANKEE HAT MINERALS LTD. (the "Company") is a company engaged in the exploration for precious metals.

Fran Property Option- Listing Property of Merit, British Columbia, Canada

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.

2006 Exploration Program

Phase 1 of the 2006 exploration program has been completed.

The Phase 1 drilling program was focused on the North Contact Zone, a geological target with the potential to host both narrow high grade and broad low grade gold deposits. The program was completed in late August and featured 14 holes for a total of 2060 metres. The drill plan map can be viewed at http://yankeehatminerals.com/resources/fran/images/north_contact_drilling_trenching.jpg

The analytical results for the last two holes FR-061 and 062 have been received and interpreted. Selected gold intercepts from Phase 1 drilling including holes FR-061 and FR-062 are compiled in Tables A and B. Highlights from Phase 1 drilling include:

- FR-47 4.0 m of 7.91 g/t Au, 12.78 g/t Ag, 0.39% Cu (8.82 g/t AuEq)
- FR-58 57.44 m of 0.82 g/t Au
Including 8.47 m of 3.04 g/t Au, 1.57 g/t Ag, 0.062% Cu (3.18 g/t AuEq)
- FR-59 54.60 m of 1.18 g/t Au
Including 4.85 m of 10.96 g/t Au, 40.15 g/t Ag, 1.48% Cu (14.29 g/t AuEq)
- FR-61 17.12 m of 1.29 g/t Au
Including 2.85 m of 2.42 g/t Au, 7.0 g/t Ag, 0.16% Cu (2.82 g/t AuEq)

Hole FR-061 was collared 30 metres east of Trench M (0.75 g/t Au/17.00 metres). It intersected a broad zone of quartz-sulfide (pyrite, pyrrhotite, chalcopyrite) veinlets proximal to the north contact of the

monzodiorite porphyry with altered siltstone-hornfels country rocks. The main part of the sulphide zone returned 1.29 gt Au over 17.12 metres core length comparable with Trench M. Higher gold values in the 2 to 10.84 gt range occur within this interval over 0.5 to 1.1 metre lengths.

Hole FR-062 collared west of Trench M intersected two narrower quartz-sulfide veinlet zones. The main zone appears to be represented by a 5.02 gt Au intercept over 1.79 metres length. Recent trenching above this hole revealed a much stronger zone of quartz-sulfide mineralization over more than 4 metres true width. This mineralization has been sampled; the analytical results will be released when available.

The North Contact Zone has been tested at shallow depths over a strike length of over 800 metres. This drilling concentrated on the east and west ends of this zone. The continuity of the polymetallic vein-replacement style mineralization within the tested areas 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 g/t range. Within these intercepts occur local high gold values for individual samples up to 93 g/t. Most of the gold intercepts have associated silver and copper values.

The zone is open in all directions, more than 200 metres of additional strike length is indicated to the west. Recent sampling results from this area should be available shortly.

PHASE 1 DRILLING AND TRENCHING RESULTS: NORTH CONTACT ZONE (2005 – 2006)

Table A: Selected Intercepts: 2006 Holes 61 and 62, North Contact Zone

Hole No.	From m	To m	Length m/ft	Au g/t	Ag g/t	Cu %	AuEq (1) g/t
FR-061	29.65	46.77	17.12/56.17	1.29			1.29
Inc.	29.65	39.26	9.61/31.53	1.46	6.76	0.06	1.67
Inc.	29.65	32.5	2.85/9.35	2.42	7	0.16	2.82
FR062	90.26	92.05	1.79/5.87	5.02	815	0.22	18.1
	149.92	150.34	0.42/1.38	8.07	11.9	0.31	8.82

Table B: Selected Intercepts for 2005-2006 Holes

Hole No.	From m	To m	Length m/ft	Au g/t	Ag g/t	Cu %	AuEq (1) g/t
Haslinger Trench Area (West)							
FR-047	77.6	81.6	4/13.12	7.91	12.78	0.39	8.82
FR-049	104.12	112.7	8.58/28.15	5.18	7.99	0.18	5.63
FR-050A	44.27	63.5	19.23/63.09	0.83			0.83
	84.57	86.11	1.54/5.05	2.38	7	0.22	2.89
	113.55	114.78	1.23/4.04	5.04	12.38	0.13	5.47
FR-051	78.04	84.43	6.39/20.96	2.03	2.55	0.04	2.14
FR-052	62.76	67.34	4.58/15.03	1.01	5.39	0.23	1.51

FR-053	79.8	91.9	13.1/42.98	1.11	2.39	0.08	1.29
FR-054	68.3	70.73	2.43/7.97	3.4	3.4	0.07	3.58
FR-056	97.1	101.55	4.45/14.60	2.34	3.86	0.063	2.52
Hole 42 Area (East)							
FR-042	6.43	16.5	10.07/33.04	2.94			2.94
FR-057	59.85	63.1	3.25/10.66	0.81	0.45	0.023	0.86
	115.89	116.75	0.86/2.82	1.21			1.21
FR-058	63.16	120.6	57.44/188.45	0.82			0.82
Inc.	107.63	116.1	8.47/27.79	3.04	1.57	0.062	3.18
FR-059	24.8	79.4	54.6/179.13	1.18			1.18
Inc.	28.752	33.6	4.85/15.91	10.96	40.15	1.48	14.29
Inc.	69	74.08	5.08/16.67	1.51	0.92	0.08	1.67
FR-060	90.5	102.49	11.99/39.34	0.64	0.57	0.035	0.71
	128.58	129.7	1.12/3.67	4.81	1.6	0.198	5.2

Table C. Selected Intercepts for Earlier Trenches

Trench No.	From m	To m	Length m/ft	Au g/t	Ag g/t	Cu %	AuEq (1) g/t
J (2006)	14	16	2/6.56	7.13	9.15	0.27	7.77
A (2005)	2	6	4/13.12	4.7	7.7	0.07	4.95
B (2005)	11	22	11/36.09	8.42	20.53	0.37	9.42
C (2005)	4.5	10	5.5/18.04	6.34	7.34	0.05	6.55
D (2005)	6.7	10.6	3.9/12.80	2.89	5.52	0.04	3.05
E (2005)	4.8	5.8	1/3.28	4.35	5.8	0.08	4.59
	@9.5		1.5/4.92	38.1	28.8	0.11	38.75
M (2006)	11	28	17/55.77	0.75			0.75
N (2006)	18	24	6/19.69	0.87		0.11	1.07

- (1) Gold equivalent values (AuEq) are estimated using long-term metal prices, including copper at \$1.20 (U.S.) per pound, silver at \$7 (U.S.) per ounce, and gold at \$450 (U.S.) per ounce. Metallurgical recoveries are assumed to be 100%. AuEq equals $Au (g/t) + Cu (\%/t) * 22.05 * 1.2 / 14.47 + Ag (g/t) * 7 / (31.1 * 14.28)$.

Phase 2 of the diamond drilling program on the North Contact Zone is expected to resume in early 2007. Initial objectives of Phase 2 will be to test the central area and open areas to the east and west.

Union Mine, Grand Forks, BC

By agreement dated September 11, 2006, the Company acquired an option to earn a 100% interest in 27 mineral claims located in the Greenwood Mining Division, Province of British Columbia. In consideration, the Company agreed to:

- i) pay \$30,000 (paid) and issue 175,000 common shares on the fifth business day after the granting of regulatory approval (issued);
- ii) pay \$15,000 on or before the first anniversary of the date of the agreement;
- iii) pay \$15,000 on or before the second anniversary of the date of the agreement;
- iv) pay \$15,000 on or before the third anniversary of the date of the agreement;
- v) pay \$15,000 on or before the fourth anniversary of the date of the agreement;
- vi) incurring exploration expenditures of not less than \$100,000 on or before October 31, 2008.

In the event the exploration expenditures spent are less than \$100,000 the Company may pay the difference before October 31, 2008.

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

By agreement dated September 11, 2006, the Company acquired an undivided 100% interest in four mineral claims known as Cat Claims located in the Greenwood Mining Division, British Columbia. In consideration, the Company agreed to issue 50,000 common shares on the fifth business day after the granting of regulatory approval (issued).

By agreement dated September 8, 2006, the Company acquired an undivided 100% interest in one mineral claim known as Doe 2, located in the Greenwood Mining Division, Province of British Columbia. In consideration, the Company agreed to pay \$5,000 (paid) and issue 100,000 common shares (issued).

Subsequent to October 31, 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.

FINANCINGS

During the period, the Company completed a flow-through private placement with Mineral Fields Group. 6,277,775 units ("Units") were sold, for gross proceeds of \$1,130,000. Each Unit consists of one flow-through common share in the capital of the Company ("Share"), and one share purchase warrant entitling the holder to purchase one non flow-through Share, at a price of \$0.30 if exercised within the first year up to and including September 27, 2007, and at \$0.40 if exercised within the second year, from September 28, 2007 to up to and including September 27, 2008 ("Warrant"). The Company also issued an option to the finder, Limited Market Dealer Inc., to purchase a total of 627,777 Units in the capital of the Company, at \$0.18 per Unit (the "Option"). The Option expires on September 27, 2008.

The Units that are the subject of the Option have the same terms and conditions as the Units issued under the private placement, except the Shares forming part of the Units will not be flow-through Shares. All Shares issued pursuant to this private placement including any Shares issuable on the exercise of the Option or Warrants, have a hold period expiring January 28, 2007. The Company also paid a finder's fee and a due

diligence fee in cash in connection with this placement, totalling \$104,412 (inclusive of all applicable taxes).

The proceeds of this financing will be used solely for exploration and development of the Company's mineral properties in British Columbia. The placement has received regulatory approval.

Subsequent to October 31, 2006, the Company has negotiated a non brokered private placement of 1,393,501 flow-through units ("FT Units") at a price of \$0.18 per FT Unit for gross proceeds of \$250,830. Each FT Unit consisting of one flow-through common share and one non flow-through share purchase warrant ("Warrants"). Each Warrant shall entitle the holder thereof to purchase an additional non flow-through common share of the Company at \$0.30 per warrant up to and including December 5, 2007, and thereafter at a price of \$0.40 per warrant up to and including December 5, 2008. The Company paid \$13,086 in cash as a finder's fee. All common shares issued pursuant to this private placement together with any common shares issuable on the exercise of the Warrants have a hold period expiring April 6, 2007. The proceeds of this financing will be used solely for exploration and development of the Company's mineral properties in British Columbia.

SELECTED FINANCIAL INFORMATION

For the years ended July 31, 2006, 2005 and 2004 (\$)

Audited	2006	2005	2004
Total assets	2,368,300	1,984,956	393,654
Total Liabilities	135,538	92,169	113,511
Shareholders equity	2,232,762	1,892,787	280,143
Revenues	-	-	-
Major expense items			
Professional fees	122,621	82,409	85,053
Consulting fees	16,000	38,355	4,000
Office and rent	28,793	29,117	30,018
Management fees	108,000	153,349	30,000
Transfer agent and filing fees	12,955	36,849	30,790
Stock based compensation	1,225	45,600	26,250
Resource property written off	242,423	40,562	-
Write-down of loan receivable	30,744	-	-
Property investigation costs	700	5,637	-
Settlement of debt	-	-	30,968
Net income(loss)	(646,644)	(524,048)	(219,559)
Loss per share	0.02	0.03	0.02

By recent eight Quarters (\$)

unaudited	October 31 2006	July 31 2006	Apr 30 2006	Jan 31 2006	Oct 31 2005	Jul 31 2005	Apr 30 2005	Jan 31 2005
Total assets	3,318,002	2,368,300	2,257,805	1,830,610	1,884,920	1,984,956	1,989,330	1,828,217
Total liabilities	77,749	135,538	592,930	107,277	92,876	92,169	67,254	95,884
Shareholders equity	3,240,253	2,232,762	1,664,875	1,723,333	1,792,044	1,892,787	1,922,076	1,732,333
Revenues	4,716	4,491	-	7,993	653	-	4,789	3,591
Major expense items								
Professional fees	13,294	58,675	9,220	40,428	14,298	13,423	25,140	26,225
Management fees	27,000	27,000	27,000	27,000	27,000	84,363	27,000	27,000
Consulting fees	-	-	4,000	4,000	8,000	-	43,000	16,875
Office and rent	7,276	1,844	7,278	9,165	10,506	-9,642	8,984	20,928
Stock-based compensation	1,225	1,225	-	-	-	45,600	-	-
Transfer agent and filing fees	11,257	3,708	5,971	3,131	145	1,988	15,226	15,448
Net loss	108,403	398,482	78,708	68,711	100,743	30,548	140,373	176,618
Loss per share	0.01	0.02	0.01	0.00	0.00	0.00	0.01	0.01

OPERATIONS

For the three ended October 31, 2006, operating expenses were approximately the same as compared to the same period in the prior year. Filing and transfer agent's fees were higher due to increased financing activities. Net loss for the three months ended October 31, 2006 was \$108,403 compared to \$100,743 for the prior year.

Major administrative expenditures for the three months ended October 31, 2006 are:

- 1) Office and rent \$ 7,276
- 2) Professional fees \$13,294
- 3) Management fees \$27,000
- 4) Shareholder communications \$42,053
- 5) Filing and transfer agent fees \$11,257

No contracts exist with respect to management fees, office, or rent.

Please refer to the company's website www.yankeehatminerals.com for additional information on the Company's activities.

LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital is \$1,204,525 as at October 31, 2006. The Company has sufficient funds to meet its current commitments but may raise further funds by additional share issuances in the future.

RELATED PARTY TRANSACTIONS

For the three months ended October 31, 2006, the Company incurred management fees of \$27,000 with companies controlled by directors. The transactions are in the normal course of business.

OFF- BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from those estimates.

DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The Company did not have significant revenues in its last three financial years.

DISCLOSURE CONTROLS AND PROCEDURES

Management has assessed the effectiveness of the Company's disclosure controls and procedures used for the financial statements and MD&A as at October 31 2006. Management has concluded that the disclosure controls are effective in ensuring that all material information required to be filed has been made known to them in a timely manner. The required information was effectively recorded, processed, summarized and reported within the time period necessary to prepare the annual filings. The disclosure controls and procedures are effective in ensuring that information required to be disclosed pursuant to applicable securities laws are accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. Additional disclosures pertaining to the Company's material change reports, press releases and other information are available on the SEDAR website at www.sedar.com."

BOARD OF DIRECTORS

Terry R. Fields- President
Donald Gee B.Sc.(Geol), C.A.
Conrad Lacker
Anne McCandless
Richard Wilson
Patrick McAndless B.Sc.(Hon. Geol), P. Geo

OFFICERS

Terry R. Fields- President
Donald Gee B.Sc.(Geol), C.A.- Chairman and Chief Executive Officer
Anne McCandless- Chief Financial Officer
Des Balakrishnan- Secretary