

◆ YALE RESOURCES LTD ◆

**FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS**

QUARTER ENDED JULY 31, 2009

Dated: September 15, 2009

Date Submitted: September 24, 2009

Introduction

The following discussion and analysis, prepared as of September 15, 2009, should be read together with the annual audited consolidated financial statements of Yale Resources Ltd. "the Company" for the years ended October 31, 2008 and 2007. The Company reports its financial position, results and operations and cash flows in accordance with Canadian generally accepted principles ("GAAP"). Additional information related to the Company is available for view on SEDAR at www.sedar.com.

Forward Looking Statements

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Based on current available information, the Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that those expectations will prove to be correct. Readers are cautioned not to put undue reliance on forward-looking statements.

Description of Business

The Company's principal business activity is the acquisition and exploration of mineral properties for commercial mineral deposits and it is considered to be at the exploration stage. The Company has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties in the financial statements are dependant on the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to discover and complete the development of those reserves and upon future profitable production. The Company trades on the TSX Venture Exchange under the symbol YLL, the Frankfurt Stock Exchange under the symbol YAB, and over the counter in the United States under the symbol YRLLF.

Performance Summary

During the quarter ended July 31, 2009, the Company expended \$57,595, on acquisition and exploration of its existing mineral properties.

There were no property acquisition payments during the quarter.

The majority of these expenditures were for the exploration of the Zacatecas Property. Additional details of the results are discussed under Exploration Activities below.

Exploration recovery proceeds during the quarter totaled \$114,322 and consisted of:

- a. Option proceeds of \$9,982 received from Enviro Energy Capital Corp. for its option on the Zacatecas Property;
- b. Option proceeds of \$86,833 received from American Sierra Gold Corp. for its option on the Urique Property; and
- c. Option proceeds of \$17,507 received from Candev Resource Exploration Inc. for its option on the Dos Naciones Property.

As at July 31, 2009, the Company had a consolidated working capital deficit of \$62,028. This is not sufficient to fund the Company's operating expenses in the short term, and additional funds were raised through equity

markets subsequent to July 31, 2009, to provide additional financing for operating expenses and exploration activities.

Exploration Activities

On February 4, 2009, the Company announced that it had discovered a new mineralized target at its wholly owned La Verde Project. The new target, named El Alamito, outcrops over an area measuring 80 metres by 30 metres and, as with all of the targets within the La Verde Project, has the potential to contain significant mineralization as samples returned high values of 1.91 % copper, 125.0 g/t silver, 12.25 % zinc and 0.53 g/t gold. Visible copper mineralization consists of malachite, azurite and chrysocolla occurring as disseminations as well as fracture fill.

El Alamito is now the tenth target within the La Verde Project and is located only 450 metres from the La Verde Grande Mine and 350 metres from the La Tescalama target. As with La Verde Grande, mineralization appears to be intimately related to a quartz-monzonite intrusive that is locally in contact with the mineralization. Determining the relationship between the targets will be the subject of continued exploration at La Verde.

Below are the averages from non-contiguous samples taken from continuous mineralization at El Alamito:

Width m	Cu %	Ag g/t	Zn %	Au g/t
8.7	1.14	27.0	3.47	0.32
8.2	0.77	29.8	1.11	0.12
14.5	0.86	35.5	0.05	0.09
10.7	0.65	8.0	1.36	0.19

On February 10, 2009, the Company announced that it had discovered two new silver-lead targets at its wholly owned Dos Naciones Project in Sonora State, Mexico. A select sample of mineralized dump material at the entrance to a small historical working returned 591.0 grams per tonne (g/t) silver and 12.6 % lead.

The first target, located at the geographic centre of the property, consists of a series of sub-parallel veins ranging from 0.5 to 3.0 metres in width. The veins have been traced over a strike length of at least 250 metres and the target remains open in all directions. A total of six reconnaissance samples were taken with three of them being from vein, one from the dump (quoted above) and two from altered host rocks. One of the outcrop samples returned 111.0 g/t silver over 1.9 metres.

The second new target area within the property is located two kilometres to the southwest. A set of silver-lead veins occur within intrusive host rocks over an area that measures approximately 100 metres wide. There are numerous historic mines on at least two levels with a majority of these workings having collapsed over time. Two samples were taken from the mineralized dumps at the mouths of these workings: one returned 256.0 g/t silver and 4.45 % lead while the second returned 182.0 g/t silver and 3.29 % lead as well as 0.61 g/t gold.

Follow up work at Dos Naciones will involve trenching, geological mapping, sampling and additional prospecting.

On February 18, 2009, the Company announced that it had signed a Letter of Agreement to purchase a 100 % interest in the Urique project – a total of sixteen concessions covering 29,100 hectares – from its partner, EXMIN Resources Inc. (“EXMIN”). The Company has agreed to pay US\$ 250,000 and issue 1 million shares to EXMIN in two tranches.

The Urique project was the subject of an earn-in option agreement between EXMIN and the Company, whereby the Company could earn up to a 75% interest by making expenditures of US \$4.5 million and issuing 1.5 million

shares to EXMIN over five years. The companies were in year 3 of the option and it has invested nearly US\$1.3 million in exploration.

Highlights from the first two years of exploration at Urique include:

- identification of ten mineralized targets within the project area
- defining the structurally controlled breccia at the Cerro Colorado target over 2 km with 9 drill holes including:
 - o 6.0 metres grading 86.0 g/t Ag and 0.23 g/t Au
 - o 5.2 metres grading 106.5 g/t Ag and 0.25 g/t Au
 - o 4.6 metres grading 162.2 g/t Ag and 0.98 g/t Au
- the discovery of the El Rosario target that measures at least 175 metres wide and 400 metres long and contains bonanza-grade silver results from at least five vein sets including:
 - o 257.0 g/t silver and 0.78 g/t gold over 5.0 m (within the host rocks)
 - o 1,640.0 g/t silver over 1.05 m
 - o 441.0 g/t silver over 2.35 m,
 - o 8.8 g/t gold over 0.85 m

The Urique project is located in the prolific Sierra Madre Precious Metal Belt in southwestern Chihuahua State, Mexico, and includes sixteen concessions covering 29,100 hectares. The project includes the town of Urique, an historic silver producing area similar to nearby Batopilas. The Urique Project is contiguous with several active exploration and mining projects, including Goldcorp's El Sauzal gold mine, Paramount Gold and Silver's Andrea project and Kimber's Monterde project land packages.

Under the terms of the Letter of Agreement, the Company has advanced EXMIN US\$ 75,000. In addition to the acquisition costs, the Company will also take responsibility for US\$ 148,000 in past expenditures from the project. The purchase, to be completed between the two company's Mexican subsidiaries, comprises of ten wholly owned concessions covering 28,830.7 hectares as well as the rights to options on six concessions, covering 276.1 hectares. There will be a 2% NSR retained on all of the concessions.

On April 8, 2009, the Company reported that it had signed a formal property purchase agreement with EXMIN Resources Inc. (EXMIN) for the outright purchase of the Urique Project, located in southwestern Chihuahua State, Mexico. This purchase agreement replaces and supersedes the previous option agreement with EXMIN to earn up to a 75% interest in the Urique Project located in the southwest Chihuahua State, Mexico. The purchase agreement states that EXMIN will sell, transfer and assign absolutely to the Company a 100% interest in the Urique Project subject to the reservation to EXMIN of a 2% royalty over certain of the concession lands owned outright by EXMIN and a sliding scale net smelter return royalty to a maximum of 2% over an additional six concessions that were held under option by EXMIN (and now transferred to Yale) with local landholders. The total land package in the Urique Project is 29,106.8 hectares or 291 square kilometres.

Consideration for the purchase is the payment by the Company to EXMIN of \$250,000 U.S., the issuance of 1,000,000 shares in its capital within five business days following acceptance for filing of the purchase agreement by the TSX Venture Exchange and the assumption by the Company of approximately \$148,000 U.S. in liabilities attached to the property relating to previous work done. The purchase agreement also provides that the Company may re-purchase one-half (or 1%) of the 2% net smelter return covering the concessions previously owned by EXMIN for the sum of \$1,000,000 and may also purchase one-half of the sliding scale royalty over the optioned lands for the sum of \$500,000. The concession lands will be held by the Company's wholly-owned, Mexican subsidiary, Minera Alta Vista S.A. de C.V.

On April 22, 2009, released results from the La Cobriza and San Jose targets at its wholly owned La Verde Project. The La Cobriza/San Jose area was previously unsampled by Yale and is located approximately 1.5 km southwest of the La Verde Grande mine. Samples collected from the San Jose area are significant as there appears to be a higher gold content in the skarn mineralization. The highest gold grade received to date is 3.66

grams per tonne gold from a sample that returned **4.44 % copper, 250.0 g/t silver, 7.64 % zinc and 3.66 g/t gold over a width of 1.55 m** (please see table below for details).

The four targets that occur in the south of the La Verde Project (The La Verdesita target, the San Louis target, the San Jose target and the La Cobriza target) are all on strike with one another and combine to form a structurally controlled zone that measures at least 2 kilometres in length.

San Jose:

The San Jose target is a greater than 40 metre wide fault related zone that has been traced along strike for greater than 200 metres. Within this fault zone are blocks of well mineralized skarn that measure from a metre to approximately 15 metres in size. These blocks are irregularly distributed throughout the zone.

The highest gold grade received to date is 3.66 grams per tonne gold from a sample that returned 4.44 % copper, 250.0 g/t silver, 7.64 % zinc and 3.66 g/t gold over a width of 1.55 m. This sample is from within 'block 1', which contains two small historic workings and measures at least 15 metres across. The weighted average of ten samples within block 1 is 2.14 % copper, 115.7 g/t silver, 2.18 % zinc and 0.53 g/t gold. Approximately 40 metres to the southwest a second large block - block 2 - has been identified that measures approximately ten metres across. The weighted average of five samples from within block 2 is 3.47 % copper, 86.4 g/t silver, 5.2 % zinc and 0.54 g/t gold.

Below are all of samples taken from various blocks along a strike length of approximately 150 metres of the San Jose target:

Location	Sample type	Sample number	Sample width (m)	Cu (%)	Ag (g/t)	Zn (%)	Au (g/t)
San Jose	channel	145399	2.00	0.11	3.4	0.18	0.01
San Jose	channel	145401	1.70	0.02	0.9	0.02	<0.005
San Jose	channel	145411	1.70	0.38	3.0	0.37	0.06
San Jose	channel	145412	1.20	0.00	0.4	0.01	<0.005
San Jose	channel	145413	1.60	2.40	4.4	2.24	0.80
San Jose	channel	145414	1.00	1.82	9.4	2.32	1.16
San Jose	channel	145415	2.00	4.31	98.3	3.96	1.32
San Jose - block 2	channel	145416	1.20	4.51	83.7	3.35	0.17
San Jose - block 2	channel	145417	1.60	3.04	122.0	3.27	0.73
San Jose - block 2	channel	145418	1.50	3.94	52.3	9.49	0.66
San Jose - block 2	channel	145419	1.10	2.05	104.0	4.00	0.65
San Jose - block 2	channel	145423	1.15	3.73	67.3	5.37	0.40
San Jose	channel	145421	1.55	2.08	69.4	1.49	0.22
San Jose	channel	145422	1.69	2.96	41.2	6.74	0.20
San Jose	channel	145424	1.23	1.43	5.2	0.66	0.06
Location	Sample type	Sample number	Sample width (m)	Cu (%)	Ag (g/t)	Zn (%)	Au (g/t)
San Jose	channel	145425	1.50	0.88	1.4	0.06	0.08
San Jose	channel	145426	1.88	0.05	1.6	0.06	0.01
San Jose	channel	145427	2.00	0.02	1.1	0.02	<0.005
San Jose	channel	145428	1.90	0.01	0.5	0.02	<0.005
San Jose - block 1	channel	145429	1.75	0.36	3.1	0.03	0.10
San Jose - block 1	channel	145431	1.70	0.26	8.5	0.47	0.02
San Jose - block 1	channel	145432	1.85	0.21	5.1	0.35	0.35
San Jose - block 1	channel	145433	1.60	1.12	63.7	1.83	0.23
San Jose - block 1	channel	145434	1.70	2.31	44.1	3.96	0.19
San Jose - block 1	channel	145435	1.26	11.60	765.0	1.78	0.30
San Jose - block 1	channel	145436	1.55	4.44	250.0	7.64	3.66
San Jose - block 1	channel	145437	0.70	3.19	134.0	1.82	0.38

San Jose - block 1	channel	145438	1.65	1.05	31.8	3.67	0.13
San Jose - block 1	channel	145439	1.70	1.77	50.2	0.64	0.08
San Jose	channel	145441	1.50	3.04	395.0	6.43	0.58
San Jose	channel	145442	2.20	1.33	35.2	4.87	0.17

La Cobriza:

The La Cobriza target area is located approximately 150 metres northeast of the San Jose target and is made up of eight historic workings that cover an area that measures approximately 75 metres by 50 metres.

As with the San Jose target the workings at La Cobriza are

Location	Sample type	Sample number	Sample width (m)	Cu (%)	Ag (g/t)	Zn (%)	Au (g/t)
La Cobriza - working 1	channel	145381	2.01	2.86	88.0	7.63	0.60
La Cobriza	channel	145382	1.70	0.42	7.7	3.43	0.06
La Cobriza	channel	145383	2.00	1.61	32.7	1.78	0.26
La Cobriza	channel	145384	1.70	1.40	59.8	4.14	0.62
La Cobriza	channel	145385	1.60	1.90	67.0	2.73	0.25
La Cobriza	channel	145386	1.50	0.40	13.5	4.61	0.08
La Cobriza	channel	145387	1.90	2.20	14.2	3.46	0.34
La Cobriza	channel	145388	1.50	0.30	7.7	1.34	0.07
La Cobriza	channel	145389	1.70	3.90	147.0	2.47	0.31
La Cobriza	channel	145391	1.60	0.47	26.6	1.41	0.18
La Cobriza	channel	145392	1.60	0.92	17.4	1.46	0.29
La Cobriza	channel	145393	1.10	0.02	3.5	0.05	<0.005
La Cobriza	channel	145394	1.60	2.18	48.0	6.21	0.08
La Cobriza	channel	145395	1.90	1.01	19.6	1.44	0.20
La Cobriza	channel	145397	2.00	3.68	37.9	5.22	0.21
La Cobriza	channel	145398	1.60	0.61	19.4	1.56	0.05
La Cobriza	channel	145402	1.70	1.02	16.5	1.10	0.34
La Cobriza	channel	145403	1.50	2.23	7.3	5.09	0.57
Location	Sample type	Sample number	Sample width (m)	Cu (%)	Ag (g/t)	Zn (%)	Au (g/t)
La Cobriza	channel	145404	1.30	0.02	2.3	0.05	0.01
La Cobriza	channel	145405	1.60	1.53	8.0	2.73	0.12
La Cobriza	channel	145406	2.00	1.07	13.9	2.10	0.08
La Cobriza	channel	145407	1.90	1.31	20.7	2.83	0.28
La Cobriza	channel	145408	1.70	0.03	4.7	0.09	0.01
La Cobriza	channel	145409	1.85	1.46	18.5	3.11	0.21
La Cobriza	channel	145447	2.00	0.01	0.5	0.04	<0.005
La Cobriza	channel	145448	1.60	0.08	8.6	0.14	0.01
La Cobriza	channel	145449	1.95	0.01	2.3	0.01	<0.005
La Cobriza	channel	145451	2.00	0.51	9.4	0.27	0.05
La Cobriza	channel	145452	1.85	0.01	3.8	0.02	0.01

On May 6, 2009, the Company reported that it has signed a definitive agreement with American Sierra Gold Corp. ('American Sierra'), a private U.S. company, for the option of Yale's wholly owned Urique Project located in southwestern Chihuahua State, Mexico.

The option will allow American Sierra to earn up to a 100% interest in the Urique Project. American Sierra can initially earn 90% by paying Yale US\$1,050,000, incurring US\$ 2,600,000 in exploration expenditures and paying an additional US\$360,000 to Yale in either cash or stock over four years. To earn an additional 10%

interest, American Sierra will be required to issue Yale 500,000 shares, complete sufficient drilling to support a resource estimation within 3 years and thereafter pay Yale US\$0.75 per every equivalent ounce of silver within the measured and indicated categories. If American Sierra chooses not to complete Stage two, Yale will retain a 10% ownership in the Urique Project as a carried - non-participating - interest. Yale has received US\$ 300,000 from American Sierra.

Yale will act as the operator for the project during at least the first year of the agreement.

For complete details of these projects please refer to the unedited news releases from the appropriate dates as well as the Company's website (www.yaleresources.com).

Corporate Events

On February 18, 2009, the Company announced that to facilitate the Urique transaction that it had signed a bridge loan agreement for US\$75,000 with a private company based in the United States and the Company is working on finalizing an option agreement for the project with additional details to be released as negotiations progress.

On February 25, 2009, the Company announced that it has signed a non-binding Letter of Intent with Candev Resource Exploration Inc. (OTCBB – CVRX) for the sale of a 50% interest and an option for Candev to earn an additional 30% in the Dos Naciones Property.

Candev will pay the Company \$50,000 for the initial 50% interest in the project and in order to earn an 80% interest will have to undertake a total of \$800,000 in exploration expenditures and issue the Company 800,000 shares in Candev over a three year period. The first year will be a firm commitment of \$200,000 in expenditures. Yale will be the operator of the project. If Candev were to not complete the additional earn-in to 80%, Yale will have the right to purchase Candev's interest for \$25,000. To date Yale has spent approximately \$35,000 at Dos Naciones.

On March 4, 2009, the Company announced that the shares of Yale traded for ten consecutive days at, or above, \$0.065. As a result the Company gave the owners of 4,529,100 Share Purchase Warrants ("Warrants") written notice that the Company will be accelerating the expiry date of all of the Warrants to thirty days following the date which is seven calendar days following the tenth Premium Trading Day, or the 9th of April, 2009.

The Warrants affected were issued to subscribers to the Company's 2,361,000 unit private placement at \$0.20 per unit, which closed December 11, 2006 and the Company's 2,500,00 unit private placement at \$0.20 per unit, which closed on December 21, 2006. The exercise price of the Warrants was amended to \$0.05.

On April 20, 2009, the Company reported that all resolutions were passed at its Annual General Meeting held on April 14, 2009. The Board of Directors and Management would like to thank all shareholders for their support and confidence. The Board of Directors and Officers for the upcoming year will consist of:

Ian Foreman, P.Geo.	- President, Director and Audit Committee Member
Dr. Luca Riccio, P.Geo.	- Director and Audit Committee Member
Lindsay Bottomer, P.Geo.	- Director
David Hall	- Director and Audit Committee Member
Edmundo Uribe	- Director
Ezra Jimenez, LLM, MBA	- Vice President - Operations and CFO

On April 20, 2009, the Company reported that it had issued 150,000 stock options at \$0.10 to consultants to the Company.

Results of Operations

Significant variances in the Company's operational results for the quarter ended July 31, 2009 were as follows:

- i) Accounting, audit and legal fees increased by \$42,690 to \$51,897 from \$9,207 in 2008 and reflect the timing of the receipt of the audit bill in 2008 versus 2009.
- ii) Investor relations decreased by \$28,750 to \$821 from \$29,571 in 2008 and reflect one time contracts completed in 2008.
- iii) Office and miscellaneous decreased by \$10,597 to \$6,000 from \$16,710 in 2008 and reflect lower overhead costs in Mexico, decreased storage costs, and lower administration fees paid to the Corporate Secretary.
- iv) Rent increased by \$12,780 to \$19,230 from \$6,450 in 2008 and reflects an increased need for office space to manage the Mexican subsidiary;
- v) Stock based compensation decreased by \$143,446 to \$5,400 from \$148,846 in 2008 and reflect a high number of options issued to directors and managers during the same quarter last year.
- vi) Consultants' fees decreased by \$4,000 to \$18,000 from \$22,000 in 2008 and reflect one time contracts completed in 2008.

Significant variances in the Company's financial position for the quarter ended July 31, 2009 were as follows:

- i) Prepaid expenses decreased by \$15,000 as the Company was billed for its previous year end audit during this quarter, and the retainer of \$15,000 was applied.
- ii) Mineral Interests have decreased by \$56,727 and reflect option proceeds and expense recoveries received on the Urique, Zacatecas, and Dos Naciones properties exceeding current quarter exploration costs; and
- iii) Accounts payable increased by \$53,993 and reflect consulting fees, management fees, and legal fees which have had their payment deferred until the Company could complete its private placement in August 2009.

Summary of Quarterly Results

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. The table below sets out the quarterly results of the Company for the 8 most recent quarters.

	July 31, 2009	Apr. 30, 2009	Jan. 31, 2009	Oct. 31, 2008	July 31, 2008	Apr. 30, 2008	Jan. 31, 2008	Oct. 31, 2007
Revenue		0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General & administrative expenses	133,338	120,321	114,511	158,485	128,683	364,780	121,173	123,916
Loss for the period	132,492	110,942	120,084	173,834	137,122	351,367	114,876	125,535
Basic and diluted loss per share	(0.01)	0.00	(0.003)	(0.004)	(0.003)	(0.01)	(0.004)	(0.01)

Fourth Quarter Results

The Company incurred a loss of \$132,492 during the quarter ended July 31, 2009. Significant items incurred during the quarter are as follows:

- i) Audit fees billed for the audit of the year ended October 31, 2008 were \$33,020;
- ii) Legal fees billed were \$15,956;
- iii) Consultants' fees were \$18,000;

- iv) Management fees were \$30,000;and
- v) Rent was \$19,230

The above expenses were offset by \$9,328 in interest and other revenue.

Interest and other revenue is comprised of net oil and gas revenue and interest income. Net oil and gas revenue is a function of the Company's investment in oil and gas wells in Texas and Louisiana in the United States of America.. Interest and miscellaneous revenue relates to the Company's cash in the bank

The nature of the Company's operations remained unchanged from prior periods. The loss for the period (\$132,492) was incurred in the normal course of operations.

Selected Annual Information

	Oct. 31, 2008 \$	Oct. 31, 2007 \$	Oct. 31, 2006 \$
Net Sales or total revenues	0	0	0
Loss before extraordinary items	(777,199)	(832,373)	(1,157,124)
Basic loss per share before extraordinary items	(0.02)	(0.03)	(0.09)
Diluted loss per share before extraordinary items	(0.02)	(0.03)	(0.09)
Loss, in total on a per-share and diluted per-share basis	(0.02)	(0.03)	(0.09)
Total assets	3,953,588	2,603,983	659,371
Total long-term financial liabilities	Nil	Nil	Nil
Cash dividends declared per-share for each class of share.	Nil	Nil	Nil

Liquidity and Capital Resources

As at July 31, 2009 the Company had a working capital deficit of \$62,028, as compared to working capital of \$10,675 as at April 30, 2009, which has since been covered off by a private placement completed in August, 2009. The Company will require additional financing or outside participation, to undertake additional exploration and subsequent development of its mineral properties.

As at July 31, 2009, the Company had cash of \$52,505 (\$56,790 as at April 30, 2009).

Risks

All of the properties in which the Company has an interest are in the exploration stage only and the business of the Company is subject to the following risks:

Exploration and Mining Risks

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, the Company has not discovered a metals or diamond deposit of commercial grade on any of its properties. Unusual or unexpected formations, formation pressures, fires, power outages, labor disruptions, flooding, cave-ins, landslides and the inability of the Company to obtain suitable machinery, equipment or labor are all risks involved in the operation of mines and the conduct of exploration programs. Substantial expenditures are required in order to establish ore reserves through drilling and staged bulk sampling, to develop optimum metallurgical processes to extract the metals or diamonds from the ore and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial mining operations or that funds required for development can be obtained on a timely basis. The economics of developing mining properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in the prices of ore which can be obtained on the metal markets, costs of processing equipment and such other factors as aboriginal land claims and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. There is no certainty that the expenditures to be made by the Company in the exploration and development of the interests described herein will result in discoveries of commercial quantities of ore.

Political Risks

The management and directors of Yale feel that Mexico is a politically stable area of the world that still has significant potential for discoveries.

Mexico is located immediately south of the United States of America and is 1,972,550 square kilometres in size (approximately twice the size of British Columbia). Elections held in July 2000 marked the first time since the 1910 Mexican Revolution that the opposition defeated the party in government, the Institutional Revolutionary Party (PRI). Vicente Fox of the National Action Party (PAN) was sworn in on 1 December 2000 as the first chief executive elected in free and fair elections. Recently Felipe Calderon was sworn in as the new president of Mexico and will be in power for the coming 6 years. Mexico has a free market economy that recently entered the trillion-dollar class. It contains a mixture of modern and outmoded industry and agriculture, increasingly dominated by the private sector. Recent administrations have expanded competition in seaports, railroads, telecommunications, electricity generation, natural gas distribution, and airports. Per capita income is one-fourth that of the US; income distribution remains highly unequal. Trade with the US and Canada has tripled since the implementation of NAFTA in 1994. Mexico has 12 free trade agreements with over 40 countries including, Guatemala, Honduras, El Salvador, the European Free Trade Area, and Japan, putting more than 90% of trade under free trade agreements.

Market Risks

The marketability of metals or diamonds recovered from deposits, which may be acquired or discovered by the Company, will be affected by numerous factors many of which are beyond the control of the Company. These factors include market fluctuations in the price of metals or diamonds, the capacity of the market, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of metals or minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but any one or a combination of these factors could result in the Company not receiving an adequate return for shareholders.

Uninsurable Risks

Mining operations generally involve a high degree of risk. Hazards such as unusual or unexpected formations, rock bursts, cave-ins, fires, flooding, or other conditions may occur from time to time. 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.

No Assurance of Title or Boundaries, or of Access

While the Company has registered its mining claims with the appropriate mining authorities and has filed all pertinent information to industry standards, this should not be construed as a guarantee of title. In addition, the Company's properties consist of recorded mineral claims, none of which have been legally surveyed, and therefore, the precise boundaries and locations of such claims may be in doubt and may be challenged. The Company's properties may also be subject to prior unregistered agreements or transfers or native land claims and the Company title may be affected by these and other undetected defects.

Government Regulation

The Company's operations are subject to government legislation, policies and controls relating to prospecting, land use, trade, environmental protection, taxation, rates of exchange, return of capital and labor relations.

Although the Company's exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the Company's operations. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent enforcement of such laws and regulations could have a substantial adverse impact on the financial results of the Company.

Environmental Regulation

The Company's operations may be subject to environmental regulations enacted by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition on the Company of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that has led to stricter standards and enforcement and greater fines and penalties for non-compliance. The cost of compliance with government regulations may reduce the profitability of the Company's operations.

Competition

The exploration and mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition and exploration of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified management and employees.

Management

The success of the Company depends to a large extent on its ability to retain the services of its senior management and members of its board of directors. The loss of their services may have a material adverse effect on the Company.

The Company has no compensatory plans or arrangements in effect with any of its senior officers or members of its board of directors with respect to the resignation, retirement, or other termination of their services, or with respect to a change in their responsibilities following a change in the control of the Company.

Financing Risks

The Company has no source of operating cash flow, limited financial resources, and has no assurance that additional financing will be available to it for further exploration and development of its properties or to enable it to fulfill its obligations under any applicable agreements. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's properties and the possible loss of title to such properties. If such additional financing is raised, it will likely be through the issuance of additional equity securities of the Company, which may have a substantial dilutive effect on shareholders acquiring securities of the Company.

Permits and Licenses

The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations on the Company's properties.

Risks Related to Nature of ownership of common shares

Dilution

Shareholders may suffer immediate and/or future dilution with respect to future private and or public offerings of common shares currently being contemplated in order to secure needed capital to facilitate Company growth.

Market Volatility

The trading price of the common shares may be subject to wide fluctuations in response due to variations in operating results, and other events and factors. In addition, the stock market may experience price and volume fluctuations, which may adversely affect the market price of the common shares of the Company

Related Party Transactions

The Company entered into transactions with the following related party during the quarter ended July 31, 2009:

- (a) Consulting fees of \$18,000 (2008 - \$18,000) were paid to a company controlled by the President of the Company.
- (b) Management fees of \$15,000 (2008 - \$15,000) were paid to the Chief Financial Officer of the Company.
- (c) Office service fees of \$6,000 (2008 - \$15,000) were paid to a corporation controlled by the Corporate Secretary of the Company.

All 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 Company and the related parties.

Changes in Accounting Policies Including Initial Adoption

Effective November 1, 2007, the Company adopted the following standards of the Canadian Institute of Chartered Accountants ("CICA") Handbook.

(i) Capital Disclosures (Section 1535)

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

(ii) Financial Instruments - Disclosures and Presentation

Sections 3862 and 3863 replace Handbook Section 3861, "Financial Instruments – Disclosures and Presentation", revising its disclosure requirements, and carrying forward its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Section 3862 specifies disclosures that enable users to evaluate: (i) the significance of financial instruments for the entity's financial position and performance; and (ii) the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

Future accounting changes

(i) Amendments to Section 1400 – Going-Concern

Section 1400, "General Standards of Financial Statement Presentation", was amended to include requirements to assess and disclose an entity's ability to continue as a going-concern. When financial statements are not prepared on a going-concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the company is not considered a going-concern. The new requirements are effective for the Company for interim and annual financial statements beginning January 1, 2009. The Company is currently evaluating the impact of this new standard.

(ii) International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The effective date for the Company is for interim and annual financial statements relating to the Company's fiscal years beginning on or after January 1, 2011. The transition date of November 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended October 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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 amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates are the assumptions used in the determination of the valuation allowance for future income taxes, determination of asset retirement obligations, environmental obligations, impairment of mineral property and oil and gas interests, fair value of marketable securities, rates for amortization and depletion, accrued liabilities, and fair value estimate of stock options issued in exchange for services. Actual results could differ from those estimates.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements

Proposed Transactions

The Company has no proposed transactions other than what was disclosed in the Subsequent Events in the Consolidated Financial Statement

Financial Instruments and Other Instruments

The Company has classified its cash as held-for-trading; marketable securities as available-for-sale; amounts receivable as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

The carrying values of cash, amounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

Management's Report on Internal Controls Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not detect misstatements. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assesses the effectiveness of the Company's internal control over financial reporting as of October 31, 2008. Based on management's assessment and those criteria, management has concluded that the internal control over financial reporting as at October 31, 2008 was effective.

Disclosure Controls and Procedures

The Company's management is responsible for establishing and maintaining disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to senior management. Senior management has evaluated the Company's disclosure controls and procedures and have concluded that they are effective as of October 31, 2008.

Disclosure of Outstanding Share Data

As at September 21, 2009, the Company had the following common shares, stock options and warrants outstanding:

Common shares	57,126,879
Stock options (vested and unvested)	3,515,000
Warrants	6,672,500
Fully diluted shares outstanding	67,314,379

The Company's ongoing exploration is dependent on raising additional capital to develop its properties and the Company is continually assessing overall market conditions to ensure this need is fulfilled to the benefit of the Company and its shareholders.

YALE RESOURCES LTD.
(An Explorations Stage Company)

Consolidated Financial Statements
July 31, 2009 and 2008
(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim financial statements have been prepared by management and approved by the Audit Committee and Board of Directors.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Balance Sheets
(Unaudited - Prepared by Management)

	July 31, 2009	October 31, 2008 (audited)
Assets		
Current		
Cash	\$ 52,505	\$ 292,745
Marketable securities (note 4)	13,500	0
Accounts receivable	143,033	126,902
Prepaid expenses	6,350	11,632
	215,388	431,279
Prepaid Expenses	12,700	12,700
Investment in Oil and Gas Interest (note 5)	32,522	32,078
Equipment (note 6)	11,424	13,108
Mineral Property Interests (note 7)	3,520,111	3,464,423
	\$ 3,792,145	\$ 3,953,588
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 277,416	\$ 202,342
Shareholders' Equity		
Capital Stock (note 8)	11,940,966	11,839,468
Contributed Surplus	820,712	795,209
Deficit	(9,246,949)	(8,883,431)
	3,514,729	3,751,246
	\$ 3,792,145	\$ 3,953,588

Nature of Operations (note 1)

Approved by the Board:

"Ian Foreman" (signed)
..... Director

"Luca Riccio" (signed)
..... Director

YALE RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Statements of Operations and Deficit
(Unaudited - Prepared by Management)

	Three Months Ended		Nine Months Ended	
	July 31, 2009	July 31, 2008	July 31, 2009	July 31, 2008
Operating Expenses				
Accounting, audit and legal	\$ 51,897	\$ 9,207	\$ 60,387	\$ 54,911
Amortization	3,061	2,932	9,183	8,798
Consultants' fees	18,000	22,000	54,000	89,291
Investor relations and promotion	821	29,571	6,442	106,611
Management fees	30,000	30,000	90,000	85,000
Office and miscellaneous	6,113	16,710	39,651	51,866
Regulatory fees	825	8,233	14,641	26,123
Rent	19,230	6,450	54,937	19,050
Stock-based compensation	0	0	25,503	148,847
Telephone	708	1,124	2,675	3,665
Transfer agent and listing fees	2,683	2,060	5,836	7,207
Travel	0	396	4,915	13,268
Less: interest and other income	(9,328)	(8,078)	(24,962)	(25,559)
Loss Before the Following	124,010	120,605	343,208	589,078
Mineral interests written-off		26,181	0	26,359
Foreign exchange loss (gain)	8,482	(9,664)	20,310	(9,039)
Gain on sale of marketable securities	0	0	0	(3,032)
Net Loss for Period	132,492	137,122	363,518	603,366
Deficit, Beginning of Period	9,114,457	8,572,475	8,883,431	8,106,232
Deficit, End of Period	\$ 9,246,949	\$ 8,709,597	\$ 9,246,949	\$ 8,709,598
Loss Per Share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Weighted Average Number of Common Shares Outstanding	45,124,626	40,591,323	44,160,212	35,756,667

See notes to financial statements.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Statements of Shareholders' Equity
(Unaudited – Prepared by Management)

	Number of Shares	Capital Stock	Contributed Surplus	Deficit Accumulated During the Exploration Stage	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance – October 31, 2007	31,466,856	\$ 9,874,992	\$ 606,358	\$ (8,106,232)	\$ 1,000	\$ 2,376,118
Net loss for year	0	0	0	(777,199)	0	(777,199)
Unrealized gain on marketable securities	0	0	0	0	(1,000)	(1,000)
Loss and comprehensive loss for year	0	0	0	(777,199)	0	(778,199)
	31,466,856	9,874,992	606,358	(8,883,431)	0	1,597,919
Common shares issued for cash						
Private placement	10,982,800	1,826,376	5,000	0	0	1,831,376
Common shares issued for mineral interests	780,000	138,100	0	0	0	138,100
Stock-based compensation	0	0	183,851	0	0	183,851
Balance – October 31, 2008	43,229,656	11,839,468	795,209	(8,883,431)	0	3,751,246
Net loss for the period	0	0	0	(363,518)	0	(363,518)
	43,229,656	11,839,468	795,209	(9,246,949)	0	3,387,728
Common shares issued for cash						
Exercise of warrants	645,000	35,248	0	0	0	35,248
Common shares issued for mineral interests	1,250,000	66,250	0	0	0	66,250
Stock-based compensation	0	0	25,503	0	0	25,503
Balance – July 31, 2009	45,124,656	\$ 11,940,966	\$ 820,712	\$ (9,246,949)	\$ 0	\$ 3,514,729

YALE RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Unaudited - Prepared by Management)

	Three Months Ended		Nine Months Ended	
	July 31, 2009	July 31, 2008	July 31, 2009	July 31, 2008
Operating Activities				
Net loss	\$ (132,492)	\$ (137,122)	\$ (363,518)	\$ (603,365)
Items not affecting cash				
Amortization	3,061	2,932	9,183	8,798
Stock-based compensation	0	0	25,503	148,846
Mineral properties written-off	0	26,181	0	26,359
Gain on sale of marketable securities	0	0	0	(3,032)
Operating Cash Flow	(129,431)	(108,009)	(328,832)	(422,394)
Changes in Non-Cash Working Capital				
Accounts receivable	2,425	(15,269)	(16,131)	(63,229)
Accounts payable and accrued liabilities	53,994	(69,555)	43,455	(95,285)
Prepaid expenses	15,000	(5,537)	5,282	(4,612)
	71,419	(90,361)	32,606	(163,126)
Cash Used in Operating Activities	(58,012)	(198,370)	(296,225)	(163,126)
Investing Activities				
Sale of marketable securities	0	0	0	20,032
Equipment acquisition	0	(2,335)	0	(4,724)
Acquisition of oil & gas interest	0	0	(7,944)	0
Recoveries from mineral interests, net of acquisition and exploration costs	42,477	(627,312)	28,681	(1,205,663)
Cash Used in Investing Activities	42,477	(629,647)	20,737	(1,190,355)
Financing Activity				
Common shares issued for cash, net of share issue costs	11,250	1,361,796	35,248	1,834,924
Increase (Decrease) in Cash	(4,285)	533,779	(240,240)	59,049
Cash, Beginning of Period	56,790	51,512	292,745	526,242
Cash, End of Period	\$ 52,505	\$ 585,291	\$ 52,505	\$ 585,291

Supplemental cash flow information:

- i) Acquisition of mineral interests is net of 200,000 shares of Silver Sun Resource Corp. received at a fair value of \$10,500
- ii) Acquisition of mineral interests and common shares issued for cash are net of mineral property acquisition costs of \$66,250 which were paid for by the issuance of common shares.
- iii) Acquisition of mineral interests and accounts payable are net of \$31,619 of accounts payable assumed as part of the acquisition costs of mineral properties.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
July 31, 2009
(Unaudited – Prepared by Management)

1. NATURE OF OPERATIONS AND GOING-CONCERN

The Company and its subsidiaries are exploration stage company that are in the process of acquiring, exploring and developing mineral properties through acquiring interests in the options to properties. It has not determined whether these properties contain ore reserves that are economically recoverable. The Company has not earned revenues from its mineral property interests.

The recoverability of amounts shown for mineral interests is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development, and future profitable production from the properties or proceeds from disposition.

At July 31, 2009, the Company had a working capital deficit of \$62,028 (October 31, 2008: working capital of \$228,937) and an accumulated deficit of \$9,246,949 (October 31, 2008: deficit of \$8,883,431). The Company will require additional financing or outside participation to meet its planned corporate and administrative expenses for the coming year and to undertake further exploration and subsequent development of its mineral interests. The Company's ability to continue as a going-concern is dependent on continued financial support from its shareholders, the ability of the Company to raise equity financing, and the attainment of profitable operations, external financings and further share issuances to meet the Company's liabilities as they become payable.

These financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. These financial statements do not include any adjustments for 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.

2. COMPARATIVE FIGURES

The comparative figures as at October 31, 2008 were reported on by the company's external auditors. Comparative figures for the periods ended July 31, 2009 and 2008 are unaudited and were prepared by management.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation and consolidation

The accompanying unaudited interim consolidated financial statements include the accounts of its wholly owned subsidiaries, Sable Minerals PTY Ltd., and Minera AltaVista, S.A. de C.V. ("MAV"), a company incorporated under the laws of Mexico, hereinafter collectively referred to as the "Company". All intercompany transactions have been eliminated.

These unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") with respect to the preparation of interim financial statements. Accordingly, they do not include all of the information and disclosures required by Canadian GAAP in the preparation of annual financial statements. The accounting policies used in the preparation of the accompanying unaudited interim financial statements are the same as those described in the annual financial statements and the notes thereto for the year ended October 31, 2008. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim financial statements should be read in conjunction with the Company's financial statements including the notes thereto for the year ended October 31, 2008.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
July 31, 2009
(Unaudited – Prepared by Management)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Mineral interests

The Company capitalizes all costs related to investments in mineral interests on a property-by-property basis. Such costs include mineral interest acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral interests are either developed or the Company's mineral rights are allowed to lapse. All deferred mineral interest expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of an interest exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the interest for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the interests upon commencement of commercial production or written-off if the interests are abandoned or the claims allowed to lapse.

From time to time the Company may acquire or dispose of a mineral interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the interest, the amount in excess of costs is credited to income.

(c) Oil and gas interests

The Company follows the full cost method of accounting for oil and gas interest whereby all costs of exploration for and development of oil and gas reserves are capitalized. These costs include lease acquisition costs, geological and geophysical expenses, drilling costs of successful as well as unsuccessful wells and overhead charges related directly to exploration. The carrying value of petroleum and natural gas interests are not intended to report current market values.

Proceeds received on the sale of property interests are deducted from the full cost pool without recognition of a gain or loss, unless such disposition would alter the rate of depletion by 20% or more.

Costs associated with unproven reserves are reviewed by management for possible impairment. If impairment occurs, the carrying value of the related interest will be reduced to reflect the estimated net realizable value. The estimate will be based on the then current conditions and it is possible that changes could occur that would adversely affect management's estimates resulting in further write-downs of the carrying value of the interest.

Depletion of oil and gas reserves is computed using the unit-of-production method where the ratio of production of proven reserves, before royalties, determines the proportion of depletable costs to be expensed. Undeveloped properties are excluded from the depletion calculation until quantities of proven reserves are found of impairment occurs.

(d) Equipment

Equipment is recorded at cost and amortized using the declining-balance method at an annual rate of 20% for office equipment and 45% for computer equipment.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
July 31, 2009
(Unaudited – Prepared by Management)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Loss per share

Basic loss per share is calculated based on the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted loss per share. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Diluted loss per share is not presented where the effects of various conversions and exercise of options and warrants is anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(f) Stock-based compensation

The Company accounts for stock-based compensation expense using the fair value method with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this standard, stock-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to contributed surplus or shareholders' equity. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to capital stock.

(g) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
July 31, 2009
(Unaudited – Prepared by Management)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Use of 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 amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of asset retirement obligations, environmental obligations, impairment of mineral claims and deferred exploration expenditures, the assumptions used in the determination of the fair value of stock-based compensation, rates for amortization of equipment, accrued liabilities, and the determination of valuation allowances for any future income tax assets and liabilities. While management believes the estimates are reasonable, actual results could differ from those estimates and would impact future results of operations and cash flow.

(i) Foreign currency translation

The functional currency of the Company is the Canadian dollar. Amounts recorded in foreign currency are translated to Canadian dollars as follows:

- (i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
- (ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the asset or assumption of the liabilities; and
- (iii) Revenues and expenses, at the average exchange rate for each month.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss for the year.

(j) Asset retirement obligations

The Company recognizes an estimate of the liability associated with an asset retirement obligation (“ARO”) in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a straight-line basis over the estimated life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. As at October 31, 2008, the Company has determined that it has no material AROs to record in the consolidated financial statements.

4. MARKETABLE SECURITIES

Marketable securities consist of 250,000 shares of Silver Sun Corp. and are recorded at fair value.

5. OIL AND GAS INTERESTS

During the year ended October 31, 2006, the Company acquired, for investment purposes, a 2.78% (one-half unit) interest in an oil and gas joint venture for cash consideration of \$52,598, at cost. The joint venture has an interest in two producing oil and gas wells located in Texas and Louisiana, United States of America. During the current year, the Company reinvested an additional \$7,944.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
July 31, 2009
(Unaudited – Prepared by Management)

6. EQUIPMENT

July 31, 2009	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Office equipment	24,655	16,005	8,650
Computer equipment	7,559	4,785	2,774
	32,214	20,790	11,424
October 31, 2008	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Office equipment	24,655	15,067	9,588
Computer equipment	7,559	4,039	3,520
	32,214	19,106	13,108

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
July 31, 2009
(Unaudited – Prepared by Management)

7. MINERAL INTERESTS

(a) Urique Property, Mexico

The Company (“Optionee”) entered into an Option Agreement with Exmin Resources Ltd. (“Optionor”) on August 1, 2006 to acquire, in two stages, up to a 75% interest in 11 mineral concessions in Chihuahua, Mexico, as follows:

Stage 1 (to earn 60%)

- (i) By issuing the following common shares:
- 250,000 common shares within three days of obtaining regulatory approval (issued);
 - 150,000 common shares on August 1, 2007 (issued);
 - 200,000 common shares on August 1, 2008 (issued); and
 - 400,000 common shares on August 1, 2009.
- (ii) By incurring US\$2,800,000 in exploration and development expenditures on the property as follows:
- US\$300,000 on or before August 1, 2007 (incurred);
 - an additional US\$500,000 on or before August 1, 2008 (incurred);
 - an additional US\$800,000 on or before August 1, 2009; and
 - an additional US\$1,200,000 on or before August 1, 2010.

The Optionor is also the operator for the property. The Optionor is committed to certain property payment commitments. The Company is invoiced its share of property costs by the Optionor, all of which are included in the US \$2,800,000 above.

Stage 2 (to earn an additional 15%) to total 75% as follows:

- Issuing 500,000 common shares and incurring an additional US\$1,700,000 in exploration and development expenditures before August 1, 2011.

By a Letter of Agreement dated January 30, 2009, the Company renegotiated its remaining commitments with Exmin to purchase a 100% interest in the Urique Property, by paying Exmin US\$250,000 (paid) and issuing 1,000,000 common shares (issued). Under the terms of the Letter of Agreement, Yale also took responsibility for accounts payable of US\$148,000 arising from past expenditures on this project. Exmin will retain a 2% NSR royalty.

By an Agreement dated April 30, 2009, the Company entered into an agreement with American Sierra Gold Corp. (“AMNP”) to allow AMNP to acquire a 100% interest in the Urique project. To earn the first 90%, AMNP must:

- (i) Pay the Company US\$1,050,000 as follows:
- US\$300,000 on signing (received);
 - US\$250,000 on or before April 30, 2011;
 - US\$250,000 on or before April 30, 2012; and
 - US\$250,000 on or before April 30, 2013.
- (ii) Incurring or funding expenditures of US\$2,600,000 as follows:
- US\$300,000 on or before April 30, 2010;
 - US\$500,000 on or before April 30, 2011;
 - US\$800,000 on or before April 30, 2012; and
 - US\$1,000,000 on or before April 30, 2013.

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7. MINERAL PROPERTY INTERESTS (Continued)

(a) Urique, Mexico (continued)

- (iii) Pay the Company an additional US\$360,000, or issue the equivalent value in shares of AMNP, as follows:
- US\$150,000 on or before April 30, 2010;
 - US\$70,000 on or before April 30, 2011;
 - US\$70,000 on or before April 30, 2012; and
 - US\$70,000 on or before April 30, 2013.
- (iv) To earn the additional 10%, AMNP is required to issue 500,000 shares to the Company, complete sufficient drilling to support a resource estimating within three years, and thereafter pay the Company US\$0.75 per every equivalent ounce of silver within the measured and indicated categories. Yale will act as the operator on the project for at least the first year of the agreement.

(b) Carol-Balde Property, Mexico

The Company entered into an assignment of option agreement with Minera Canamex SA de CV on September 25, 2006, to acquire a 100% interest in the mineral claims in the underlying option agreement dated July 5, 2006 with Julio Lopez, as follows:

- (i) By making the following cash payments:
- US\$35,000 on or before September 26, 2006 and the execution of the Agreement (paid);
 - US\$10,000 on or before November 1, 2006 (paid);
 - US\$20,000 on or before December 1, 2006 (paid);
 - US\$10,000 on or before January 1, 2007 (paid); and
 - US\$25,000 on or before February 1, 2007 (paid).
- (ii) The Company is responsible for the following payments under the Minera Canamex-Lopez option agreement:
- US\$50,000 on July 5, 2007 (US\$10,000 paid);
 - US\$50,000 on July 5, 2008; and
 - US\$50,000 on July 5, 2009.

The underlying Optionor has retained a 3% net smelter returns (“NSR”) royalty that can be purchased by the Company for US\$750,000.

By an agreement dated January 31, 2008, the Company renegotiated the remaining commitments and acquired 100% ownership and property rights, subject to the 3% NSR royalty to the Optionor, by making a cash payment of US\$70,000 (paid) and issuing 280,000 common shares (issued).

(c) Zacatecas Property, Mexico

On October 2, 2006, the Company entered into a Letter of Agreement with IMPACT Minerals Corp. (“IMPACT”) to acquire, in two stages, up to an 80% interest in each of four Mexican mineral properties as follows:

Stage 1 (to earn 65%)

By making the following cash payments:

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7. MINERAL PROPERTY INTERESTS (Continued)

(c) Zacatecas Property, Mexico (continued)

- US\$15,000 on signing of the Letter of Agreement (paid);
- US\$20,000 for initial exploration work, to be paid within 45 days of signing of agreement (paid); and
- US\$100,000 maximum expenditure for further exploration and development, to be completed within 18 months of property acquisition (incurred); and
- Reimburse IMPACT acquisition cost of up to US\$50,000 cash for each property acquired (paid).

Stage 2 (to earn an additional 15%, total 80%)

- Issuing, at the Optionor's discretion, either US\$125,000 or the equivalent value in the Company's shares.

During the year ended October 31, 2008, the Company entered into an agreement with Apex Silver Mines Limited ("Apex") whereby Apex purchased the Company's rights under the above agreement with IMPACT to one claim within the Zacatecas Property, San Sabino, for proceeds of US\$139,408 (received). In addition, the Company will be paid an additional US\$250,000 if Apex or its affiliates include San Sabino in a positive feasibility study for a mine producing more than 500 tonnes of ore per day or as part of an executed mining plan producing greater than 500 tonnes of ore per day. The Company will retain this right in perpetuity.

During the year ended October 31, 2008, the Company entered into an agreement with Silver Sun Resource Corp. ("Silver Sun") (Formerly: Enviro Energy Capital Corp.) whereby Silver Sun acquired the Company's rights under the above agreement with IMPACT to the remaining three claims within the Zacatecas Property for cash payments totaling \$150,000 (\$25,000 received), the issuance of 500,000 shares of Silver Sun (250,000 received), and a commitment from Silver Sun to spend a minimum of \$200,000 within 13 months (\$194,463 advanced). Yale will remain the operator on these properties until such time as Silver Sun fulfills its remaining obligations under the agreement.

(d) La Verde Grande Property, Mexico

On June 5, 2007, the Company entered into an Agreement to acquire, in two stages, up to a 100% interest in the La Verde Grande Property for cash payments totaling US\$ 1,200,000 as follows:

- US\$8,000 on execution of the Agreement (paid);
- US\$92,000 on or before September 1, 2007 (paid);
- US\$200,000 on or before March 1, 2008 (paid);
- US\$200,000 on or before September 1, 2008
- US\$400,000 on or before March 1, 2009; and
- US\$700,000 on or before September 1, 2009

In addition to the total cash payments of US\$1,200,000, the Company was obligated under the Agreement to pay the Mexican Federal Revenue Tax on each payment. The estimated amount owing is included in the payment schedule amounts.

Under the terms of the Agreement, the vendor retains a 2% NSR, which the Company may purchase for an additional US\$1,000,000.

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On February 26, 2008, the Company negotiated an amendment to the original contract to delay all the payments due in the year ended October 31, 2008 by three months each, by paying US\$15,000 as a bonus for signing the amendment.

7. MINERAL PROPERTY INTERESTS (Continued)

(d) La Verde Grande Property, Mexico (continued)

On November 21, 2008, the Company renegotiated the overall agreement with the Optionor to modify all remaining commitments as follows:

Cash payments totaling US\$1,305,000 as follows:

- US\$40,000 on or before December 1, 2008 (paid);
- US\$60,000 on or before December 1, 2009;
- US\$250,000 on or before December 1, 2009;
- US\$255,000 on or before June 1, 2010;
- US\$350,000 on or before December 1, 2010; and
- US\$350,000 on or before June 1, 2011

By an Agreement with Metales Preciosos Atlas S.A. Of C.V. (“Atlas”), dated February 11, 2008, the Company acquired an option to acquire a 100% interest in an additional 293 hectares contiguous to the La Verde property, as in consideration of the following:

- i) Cash payments totaling \$50,000 as follows:
 - \$10,000 on signing of a letter of intent (paid); and
 - \$40,000 on regulatory approval (paid)
- ii) Issuance of 800,000 of the Company’s common shares as follows:
 - 300,000 common shares upon regulatory approval (issued);
 - 250,000 common shares by February 11, 2009 (issued); and
 - 250,000 common shares by February 11, 2010

Under the terms of the agreement with Atlas, there is no NSR retained by Atlas.

(e) Dos Naciones Property, Mexico

The Company acquired, through staking, 2,391 hectares located in the Sonora region of Mexico, during the year ended October 31, 2007.

By an Option Agreement dated July 7, 2009, the Company granted an option to Del Toro Silver Corp. (“Del Toro”) (Formerly: Candev Resource Explorations Inc.) to earn up to 80% of its Dos Naciones Property.

For the first 50% option, Del Toro must pay the Company \$35,000 as follows:

- CAD\$17,500 on execution of the Agreement (received); and
- CAD\$17,500 on July 7, 2009 (received).

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7. MINERAL PROPERTY INTERESTS (Continued)

(e) Dos Naciones Property, Mexico (continued)

Del Toro can earn an additional 30% in consideration as follows:

Issuance of 800,000 common shares to the Company as follows:

- 200,000 common shares on or before July 7, 2010;
- 250,000 common shares on or before July 7, 2011; and
- 350,000 common shares on or before July 7, 2012.

Funding exploration expenditures totaling \$800,000 as follows:

- \$150,000 on or before July 7, 2010;
- \$250,000 on or before July 7, 2011; and
- \$400,000 on or before July 7, 2012.

(f) Other Properties

Other properties balance is comprised of two smaller properties:

- i) Zuzzan was acquired through staking during 2008, and
- ii) Oro Fino, which was acquired by an Option Agreement with Can-Mex Barite de Mexico S.A. de C.V. (“CanMex”) dated July 24, 2009. Under the terms of the Option Agreement, the Company may acquire a 100% interest in the Oro Fino Property in consideration of:

Cash payments totaling \$200,000 as follows:

- \$10,000 on or before November 24, 2009;
- \$15,000 on or before May 24, 2010;
- \$15,000 on or before November 24, 2010;
- \$20,000 on or before May 24, 2011;
- \$20,000 on or before November 24, 2011;
- \$40,000 on or before May 24, 2012; and
- \$80,000 on or before November 24, 2012.

Issuance of 1,000,000 common shares as follows:

- 100,000 common shares on or before November 24, 2009;
- 100,000 common shares on or before May 24, 2010;
- 100,000 common shares on or before November 24, 2010;
- 100,000 common shares on or before May 24, 2011;
- 100,000 common shares on or before November 24, 2011;
- 100,000 common shares on or before May 24, 2012; and
- 400,000 common shares on or before November 24, 2012;

Payment of taxes totaling MX\$114,232 as follows:

- MX\$59,355 owed for the first semester of 2009; and
- MX\$54,877 owed for the second semester of 2009

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7. MINERAL PROPERTY INTERESTS (Continued)

(g) Realization of assets

The investment in and expenditures on mineral interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

(h) Environmental

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral interests, the potential for production on a property may be diminished or negated.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

(i) Title to mineral property interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements of transfers and title may be affected by undetected defects.

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7. MINERAL INTERESTS (Continued)

At July 31, 2009, deferred acquisition and exploration expenditures incurred are as follows:

	Urique \$	Carol-Balde \$	Zacatecas \$	La Verde Grande \$	Dos Naciones \$	Other Properties \$	Total \$
Balance, October 31, 2008	1,537,911	435,658	528,344	925,235	31,864	5,411	3,464,423
Less: Advances	0	0	0	0	(2,600)	0	(2,600)
	1,537,911	435,658	528,344	925,235	29,264	5,411	3,461,823
Additions during the year							
Acquisition costs	397,094	0	0	11,250	0	0	408,344
Assay	0	246	10,859	10,863	176	0	22,144
Camp and exploration support	142	10,609	19,005	10,112	10,262	6,298	56,428
Drilling	9,923	0	101,265	0	0	0	111,188
Geological consulting	0	3,900	0	3,000	0	0	6,900
Geological fieldwork	0	43	18,364	3,021	0	0	21,428
Legal and professional	0	0	887	13,627	0	34	14,548
Materials and supplies	36	656	2,384	993	482	1,957	6,508
Reports, drafting and maps	0	0	600	0	0	0	600
Taxes	0	16,240	922	59,721	4,694	0	81,577
Travel	960	364	7,590	1,071	239	1,099	11,323
Total costs during period	408,155	32,058	161,876	113,658	15,853	9,388	740,988
Recoveries	(396,868)	0	(250,825)	0	(35,007)	0	(682,700)
Advances	0	0	0	0	0	0	0
Net additions during period	11,287	32,058	(88,949)	113,658	(19,154)	9,388	58,288
Mineral interests written off	1,549,198	467,716	439,395	1,038,893	10,110	14,799	3,520,111
	0	0	0	0	0	0	0
Balance, July 31, 2009	1,549,198	467,716	439,395	1,038,893	10,110	14,799	3,520,111

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7. MINERAL INTERESTS (Continued)

At October 31, 2008, deferred acquisition and exploration expenditures incurred are as follows:

	Urique \$	Carol- Balde \$	Zacatecas \$	La Verde Grande \$	Dos Naciones \$	Other Properties \$	Total \$
Balance, October 31, 2007	693,188	234,882	668,173	302,100	6,201	22,324	1,926,868
Less: Advances	0	(6,735)	0	0	0	0	(6,735)
	693,188	228,147	668,173	302,100	6,201	22,324	1,920,133
Additions during the year							
Acquisition costs	182,095	126,324	0	405,844	0	0	714,263
Assay	0	17,512	0	18,138	2,368	0	38,018
Camp and exploration support	70,010	29,530	25,029	28,096	12,254	0	164,919
Drilling	241,649	0	0	0	0	0	241,649
Equipment rental	3,471	0	0	0	0	0	3,471
Geological consulting	275,349	0	0	44,675	5,700	0	325,724
Geological fieldwork	0	27,035	0	6,372	361	4,605	38,373
Materials and supplies	214	1,303	0	16,358	0	59	17,934
Project management	53,501	0	0	0	0	202	53,703
Reports, drafting and maps	0	0	0	48,672	0	0	48,672
Taxes	0	3,349	1,700	22,763	2,146	3,979	33,937
Travel	18,434	2,458	266	32,217	234	1,352	54,961
Total costs during period	844,723	207,511	26,995	623,135	23,063	10,197	1,735,624
Recoveries	0	0	(166,824)	0	0	(751)	(167,575)
Advances	0	0	0	0	2,600	0	2,600
Net additions during period	844,723	207,511	(139,829)	623,135	25,663	9,446	1,570,649
Mineral interests written off	1,537,911	435,658	528,344	925,235	31,864	31,770	3,490,782
	0	0	0	0	0	(26,359)	(26,359)
Balance, October 31, 2008	1,537,911	435,658	528,344	925,235	31,864	5,411	3,464,423

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8. CAPITAL STOCK

Authorized

Unlimited number of common shares without par value

(a) Shares issued for cash

During the current year to date, 645,000 warrants were exercised for a gross proceeds of \$32,250.

(b) Shares issued for mineral properties

During the current year to date, the Company issued 1,000,000 common shares at a deemed price of \$0.055 per share for a total proceeds of \$55,000 under the terms of the agreement to acquire the Urique Property (note 7(a)).

During the current year to date, the Company issued 250,000 common shares at a deemed price of \$0.045 per share for a total proceeds of \$11,250 under the terms of the agreement to acquire the La Verde Grande Property (note 7(d)).

(c) Stock options

A summary of the Company's stock options as at July 31, 2009 and October 31, 2008 and changes during the period then ended is as follows:

	July 31, 2009		October 31, 2008	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance forward	2,620,000	\$0.25	2,190,000	\$0.28
Granted	1,085,000	\$0.10	1,655,000	\$0.20
Exercised	0	\$0.00	0	\$0.00
Cancelled/expired	(190,000)	\$0.24	(1,225,000)	\$0.23
Ending balance	3,515,000	\$0.21	2,620,000	\$0.25

Options Outstanding			Options Exercisable	
Number of Shares	Expiry Date	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
620,000	February 28, 2010	\$0.35	620,000	\$0.35
180,000	May 3, 2010	\$0.30	180,000	\$0.30
150,000	November 1, 2010	\$0.25	150,000	\$0.25
1,430,000	February 10, 2011	\$0.20	1,430,000	\$0.20
50,000	April 28, 2011	\$0.20	50,000	\$0.20
935,000	November 26, 2011	\$0.10	935,000	\$0.10
150,000	April 19, 2012	\$0.10		
3,515,000		\$0.21	3,515,000	\$0.21

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8. CAPITAL STOCK (Continued)

(e) Share purchase warrants

As at July 31, 2009, the Company has share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding at October 31, 2008	Issued	Exercised	Expired	Outstanding at July 31, 2009
\$0.45	January 22, 2009	330,000	0	0	330,000	0
\$0.20	January 31, 2009	1,666,400	0	0	1,666,400	0
\$0.05	April 9, 2009	2,491,720	0	225,000	2,266,720	0
\$0.05	April 9, 2009	2,942,337	0	420,000	2,522,337	0
\$0.50	July 26, 2009	500,000	0	0	500,000	0
\$0.50	August 8, 2009 *	2,100,500	0	0	0	2,100,500
\$0.30	August 8, 2009 *	400,000	0	0	0	400,000
\$0.25	May 9, 2009	980,000	0	0	980,000	0
\$0.25	May 21, 2009	1,055,500	0	0	1,055,500	0
\$0.25	July 21, 2009	3,650,000	0	0	3,650,000	0
		16,116,457	0	645,000	12,970,957	2,500,500

* subsequently expired unexercised.

As at October 31, 2008, the Company has share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding at October 31, 2007	Issued	Exercised	Expired	Outstanding at October 31, 2008
\$0.25	April 21, 2008	26,250	0	0	26,250	0
\$0.35	December 11, 2008	2,491,720	0	0	0	2,491,720
\$0.35	December 21, 2008	2,942,337	0	0	0	2,942,337
\$0.45	January 22, 2009	330,000	0	0	0	330,000
\$0.50	July 26, 2009	500,000	0	0	0	500,000
\$0.50	August 8, 2009	2,100,500	0	0	0	2,100,500
\$0.30	August 8, 2009	400,000	0	0	0	400,000
\$0.20	January 31, 2009	0	1,666,400	0	0	1,666,400
\$0.25	May 9, 2009	0	980,000	0	0	980,000
\$0.25	May 21, 2009	0	1,055,500	0	0	1,055,500
\$0.25	July 21, 2009	0	3,650,000	0	0	3,650,000
		8,790,807	7,351,900	0	26,250	16,116,457

(f) Stock-based compensation

During the nine months ended July 31, 2009, the Company granted stock options to acquire up to an aggregate of 1,085,000 common shares to directors, officers, and consultants.

The fair value of stock options granted and vested during the year in the amount of \$25,503 would be allocated to Management fees.

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8. CAPITAL STOCK (Continued)

(f) **Stock-based compensation** (continued)

The fair value of stock options used to calculate stock-based compensation expense is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	July 31, 2009	October 31, 2008
Risk-free interest rate	2.56%	3.19%
Expected dividend yield	0	0
Expected stock price volatility	134.98%	121.48%
Expected option life in years	3.00	2.91

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and agents' warrants.

9. RELATED PARTY TRANSACTIONS

- a) Consulting fees of \$54,000 (2008 - \$54,000) were paid to a company controlled by the President of the Company.
- b) Management fees of \$45,000 (2008 - \$50,000) were paid to the Chief Financial Officer of the Company.
- c) Office service fees of \$36,000 (2008 - \$45,000) were paid to a corporation controlled by the Corporate Secretary of the Company.

10. SEGMENTED INFORMATION

The Company has one operating segment, mineral exploration and development. All of the Company's assets are located in Canada except for its oil and gas interests, which are located in the United States of America, and its mineral property interests, which are located in Mexico.

	July 31, 2009	October 31, 2008
	\$	\$
Canada	94,722	319,430
United States of America	32,522	32,078
Mexico	3,664,901	3,602,080
	3,792,145	3,953,588

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10. SUBSEQUENT EVENT

In August 2009, the Company completed a private placement consisting of 12,000,000 units at a price of \$0.04 per unit for a total proceeds of \$480,000. Each unit consists of one common share and one-half of one share purchase warrant. Each share purchase warrant entitles the holder to acquire one additional common share at a price of \$0.07 on or before August 13, 2010. If the shares trade above \$0.085 for a period of ten consecutive trading days after the mandatory four month hold period, the warrants will be accelerated to expire in one month.

The Company paid finder's fees of \$24,000 and issued 76,000 warrants to PI Financial Corp.