

◆ YALE RESOURCES LTD ◆

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

**YEAR ENDED OCTOBER 31, 2009**

**Dated: February 15, 2010**

**Date Submitted: February 26, 2010**

## **Introduction**

The following discussion and analysis, prepared as of February 15, 2010, includes information from and should be read together with the annual audited consolidated financial statements of Yale Resources Ltd. “the Company” for the years ended October 31, 2009, 2008 and 2007. The Company reports its financial position, results of 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](http://www.sedar.com).

## **Forward Looking Statements**

Certain statements contained in this MD&A constitute forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “designed”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe”, and similar expressions. These statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward looking 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. The forward-looking statements in this MD&A are expressly qualified by this statement, and readers are advised not to place undue reliance on the 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 dependent 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 year ended October 31, 2009, the Company incurred \$402,421 in exploration expenditures, \$493,658 in acquisition expenditures, and had exploration cost recoveries and option proceeds totalling \$707,974.

As at October 31, 2009, the Company had consolidated working capital of \$70,964. 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 year end, to provide additional financing for operating expenses and exploration activities.

## **Exploration Activities**

**On October 1, 2009**, the Company announced that the Company had signed an agreement with two groups to acquire a 100% interest in sixteen concessions that form the core of the Orofino Project. The Orofino Project is located approximately 135 km southeast of the capital city of Hermosillo, Sonora State.

Highlights from within the newly acquired concessions are:

(for details please see website at <http://www.yaleresources.com/s/Orofino.asp>)

- 3.19 g/t gold and 83.2 g/t silver over 30.0 metres from within the La Perla pit
- 1.88 g/t gold and 56.8 g/t silver over 10.67 metres from drill hole north of La Perla pit
- 3.97 g/t gold over 9.14 metres from drill hole at the El Orofino Target
- 2.27 g/t gold and 13.7 g/t silver over 15.24 metres from drill hole at the El Gato Target
- 2.53 g/t gold and 29.6 g/t silver over 4.4 metres from excavation at La Perlita West
- 7.79 g/t gold and 173.0 g/t silver over 2.4 metres from excavation at La perlita North

The seven concessions cover a total of 439.1 hectares and contain six historic open pit mines. Although production records are not available, the vendor of the property had small scale production during the mid 1990's, which produced roughly 60,000 tonnes of ore grading approximately 6 to 7 grams per tonne gold. The remaining leach pad has been sampled by previous operators with an average grade ranging from 2.5 to 3 grams per tonne gold.

In the early 1990's Minera Teck drilled a series of reverse circulation holes at various targets throughout the property. Most recently a previous operator performed widespread soil sampling, geophysics as well as mapping and sampling at the key targets within the property. Yale has access to most of this data but is still attempting to source more data regarding Orofino

To date, the Company is aware of nine known mineralized targets and two strong silica and iron-oxide anomalies within the approximately 83 square kilometres that make up the Orofino Project. Currently there are field crews on the property undertaking taking confirmatory samples and an initial trenching program.

The primary exploration target within the Orofino Project is bulk tonnage heap leachable gold and silver mineralization within quartz-carbonate veins, shears and structurally controlled breccias hosted in andesitic to dioritic volcanic rocks and associated with dacite dykes and sills.

The deal:

The acquisition of these concessions, signed by Yale's wholly owned Mexican subsidiary Minera Alta Vista by means of an option to earn 100%, was done with two different underlying owners. Yale has agreed to pay US \$950,000 over four years for 5 concessions that total 174.45 ha with an initial payment of US \$50,000 and to pay CDN \$ 200,000 and issue 1,000,000 shares in Yale over a three year term with the first payment of \$10,000 and 100,000 shares in Yale due in four months from signing. Yale will be responsible for all maintenance fees and property taxes.

**On October 6, 2009**, the Company announced the first sample results from the 100% owned Orofino Project, which is approximately 83 square kilometres in size and is host to 9 known mineralized targets. The Orofino Project is located approximately 135 km southeast of Hermosillo, Sonora State. This field work has confirmed the presence of gold mineralization over significant widths at multiple targets.

Within the La Perla pit Yale sampling returned **5 metres grading 2.52 g/t gold and 34.8 g/t silver**. This sample was taken from within the previously reported historic result of 30 metres averaging 3.19 g/t gold and 83.2 g/t silver (see news release dated October 1, 2009) - ongoing work will resample the entire width of this mineralized zone.

At La Perlita North an exposed mineralized structure returned **4 metres averaging 4.04 g/t gold and 85.0 g/t silver**. At the nearby La Perlita West the wall of the open pit returned metres **5 metres grading 3.03 g/t gold and 16.8 g/t silver** within a wider interval of **15 metres averaging 1.51 g/t gold and 8.8 g/t silver** that is open in both directions. This confirms the presence of multiple high grade structures through the La Perlita target area.

At the Quelitoso target new sampling returned **20 metres averaging 0.83 g/t gold and 126.9 g/t silver**. Approximately 1.5 kilometres away – on strike – at the Santiago target sampling returned **4.15 metres grading 0.6 g/t gold and 196.0 g/t silver**. There are numerous small historic workings along trend between the Quelitoso and Santiago targets suggesting that the two targets form a larger east-northeast trending system.

At the El Gato target Yale geologists sampled **5.0 metres grading 2.27 g/t gold and 10.2 g/t silver** at an exposure that is approximately 100 metres west of where Minera Teck drilled 2.27 g/t gold and 13.7 g/t silver over 15.24 metres (see news release dated October 1, 2009). This significantly adds to the exploration potential within the El Gato area.

**On November 6, 2009**, the Company announced results from the ongoing work program at the 100% owned Orofino Project.

Within the La Perla pit Yale sampling returned **18.5 metres with a weighted average of 2.02 g/t gold and 31.2 g/t silver**. Detailed mapping indicates that the shallow La Perla pit is located at the intersection of a vertical and a shallowly dipping mineralized structure. These parallel structures each have been traced over several hundred metres of strike length.

Approximately 200 metres northeast of the La Perla pit within the central portion of the La Perlita targets a hand dug trench uncovered **17 metres with a weighted average of 1.20 g/t gold and 10.8 g/t silver** from a second set of parallel veins.

“This work program continues to prove up strong targets for the planned drill program at Orofino. Initial work by Yale geologists has confirmed the validity of the significant amount of historical, non 43-101, data inherited by Yale upon purchase of the property. Having this large quantity of data gives Yale a huge advantage as we can advance towards a drill program that much quicker”, stated Yale president, Ian Foreman, P.Geol.

In addition, two samples from a large stockpile of mineralization from the previous mining at Orofino returned 1.76 g/t gold and 1.48 g/t gold respectively from 1.5 metre deep pits.

**On November 10, 2009**, the Company reported that it had signed a Letter of Intent with American Sierra Gold Corp. for the option to earn a 100% interest in Yale’s wholly owned Carol Project located in southern Sonora State, Mexico.

To earn a 100% interest American Sierra will be required to pay Yale \$ 50,000, spend \$300,000 on exploration expenditures and issue 500,000 shares to Yale over three years. Yale will act as the operator for the project. Yale has received \$25,000 and will receive an additional \$25,000 and 100,000 shares in American Sierra upon signing of the definitive agreement.

**On November 17, 2009**, the Company, on behalf of its partner, American Sierra Gold Ltd., announced the discovery of a new gold-rich zone within the underground workings of the El Rosario Target in the Urique Project, Chihuahua State, Mexico.

Highlights from the underground sampling within the Rosario tunnel include:

- 9.74 g/t gold and 356.7 g/t silver over 1.68 m,
- 2.16 g/t gold and 92.5 g/t silver over 2.93 m,
- 3.60 g/t gold and 108.2 g/t silver over 1.87 m,
- 5.65 g/t gold and 95.9 g/t silver over 0.45 m,
- 3.69 g/t gold and 112.7 g/t silver over 1.10 m, and
- 3.53 g/t gold and 243.1 g/t silver over 0.40 m.

The new gold zone was found within a previously unknown extension to the El Rosario tunnel during a program that included reconditioning, mapping and sampling in preparation for a planned underground drill program. The Rosario tunnel is the largest of three known workings within the larger El Rosario target area.

This gold-rich zone may represent a ‘clavo’, or ore shoot, and is approximately 60 metres long. A total of 22 samples were taken in the zone with values ranging from 0.06 to 11.57 g/t gold and 6.6 to 358.7 g/t silver.

Sampling of the veins underground was limited by the narrow width and size of the workings, however surface sampling some 150 metres above the Rosario tunnel, encountered bonanza grades up to 10.6 g/t gold and 8,290.0 g/t (or 241.5 ounces per ton) silver (see news release dated February 6, 2008) within 10 to 40 cm wide veins that make up vein-sets that have been mapped as being 1 to 7 metres wide.

At El Rosario fieldwork in 2008 identified at least five vein-sets hosted within altered andesite. Multiple +1 kilogram per tonne silver assays have been collected from various veins throughout the El Rosario target. Significant silver mineralization of up to 257 g/t silver and 0.78 g/t gold over five metres also occurs within the altered andesite host rocks (see news release dated August 26, 2008), which adds to the bulk tonnage potential of the target.

The El Rosario target, as currently defined, measures approximately 175 metres wide by 400 metres long. The mineralization and alteration mapped on surface and underground is open along strike and to depth and has never been drilled.

The presence of multiple vein sets hosting high grade silver-gold mineralization, as well as felsic intrusives that appear to be related to widespread alteration and mineralization of the andesitic host rocks, suggests that the El Rosario target area has the potential to be further expanded.

**On December 1, 2009**, the Company announced additional results from the ongoing work program at the 100% owned Orofino Project. Work within the 83 square kilometre Orofino Project initially concentrated within a central area covering 3 by 2 kilometres that is host to a bulk of the historic production from two principal targets containing four open pits – La Perla and La Perlita.

Trenching within the La Perlita east pit has uncovered:

- **8.0 metres with a weighted average of 4.11 g/t gold and 35.8 g/t silver,**  
- including 2.0 m grading 7.84 g/t gold and 41.2 g/t silver.
- **6.0 metres with a weighted average of 3.74 g/t gold and 49.2 g/t silver.**

The low angle La Perlita structure has now been traced on surface for approximately 250 metres and ranges from 2 to greater than 5 metres in width. It occurs at the contact of the favourable host andesitic volcanic rocks and the overlying dacites. The structure is open along strike in both directions.

Now that fieldwork has validated the location and grades of known mineralization from the large amount of historic data inherited with the project Yale has now changed its focus from confirmation to exploration. Fieldwork is ongoing within the project in the form of detailed mapping, prospecting and trenching at a number of target areas.

On December 30, 2009, the Company provided an update on its partners' activities on the four projects that Yale had out under option. These agreements combine for required minimum expenditures totalling US \$750,000 over the next year. Yale is the operator on each of the projects.

American Sierra Gold has completed the required expenditures of \$300,000 to complete the first year of the option agreement at Urique. A sampling program at the El Rosario target identified a new gold rich zone (see news release dated November 17, 2009) with highlights from the underground sampling of: 9.74 g/t gold and 356.7 g/t silver over 1.68 m, 2.16 g/t gold and 92.5 g/t silver over 2.93 m, 3.60 g/t gold and 108.2 g/t silver over 1.87 m, and 3.69 g/t gold and 112.7 g/t silver over 1.10 m. American Sierra has minimum expenditures of US\$ 500,000 during the second year of the option agreement.

Silver Sun Resources has completed the minimum of \$200,000 of expenditures required for Silver Sun to earn 100% of Yale's interest at the Zacatecas Venture. Yale's minority partner for the Zacatecas Venture, IMPACT Silver Corp., chose to not participate in the 2009 exploration program and as a result of Silver Sun's expenditures Yale's interest in the properties has increased from 65% to 73%. To fulfill the terms of the agreement Silver Sun will have to make a final payment to Yale in cash and/or shares.

Yale's partner in the Dos Naciones project, Del Torro Silver, has yet to perform exploration on the project and has until July 7, 2010 to complete a minimum of US \$150,000 of work. The focus at Dos Naciones will initially be the high grade silver-lead veins at the Josefina target where previous sampling (see news release dated February 10, 2009) of mineralized dump material at the entrance to a small historical working returned 591.0 grams per tonne silver and 12.6 % lead. The Josefina 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 that have been traced over a strike length of at least 250 metres and the target remains open in all directions.

At the Carol Property, American Sierra Gold has performed a due diligence trenching program. We are currently awaiting the results of this program. American Sierra paid Yale \$25,000 upon signing of the Letter of Intent with Yale for an option to earn a 100% interest in the property by paying Yale an additional \$25,000, spending \$300,000 on exploration expenditures and issuing 500,000 shares to Yale over three years.

**On January 06, 2010**, the Company announced the acquisition of a 100% interest in the Guadalupe Property, located approximately 4 kilometres north of the city of Fresnillo, Zacatecas State, Mexico. The property is approximately 8 kilometres north of the Fresnillo (Proaño) Mine, the world's richest underground silver mine operated by Fresnillo plc. The property is also approximately 11 kilometres northeast of the Juanicipio Joint Venture between MAG Silver Corp. and Fresnillo plc.

The Guadalupe Property is 282.84 hectares in size and contains two historic mines – the Santa Rita and San Antonio mines. Historic records containing references to the Santa Rita and San Antonio mines suggest that both mines were important and reached their height of production between 1910 and 1920. The property is completely surrounded by land controlled by Peñoles (either through Fresnillo or other subsidiaries and partners).

There is currently small scale production from the property at a rate of approximately 3 to 4 tonnes per day. This production is from one of the five known veins on the property and is at a depth of only 30 metres. Production will continue on the property until Yale has completed the purchase of the property at a maximum of 1,500 tonnes per year (or approx. 4 tonnes per day). This ongoing work should greatly aid exploration by allowing Yale staff to better understand the mineralization.

A chip channel sample taken by Yale staff from one face of the workings returned **3.32 g/t gold and 342.0 g/t silver across 1.5 metres of vein**.

Yale can purchase a 100% interest in the Guadalupe Property by making escalating payments every 6 months over four years totaling US \$1,000,000 with an initial payment of \$10,000 (paid) and a final payment of \$465,000. There is a 2% NSR on the property that can be purchased for US \$ 1,000,000.

**On January 14, 2010**, the Company announced that it had been informed by Silver Sun Resources Ltd. (SSU – TSX.V) of their intent to complete the terms of the option agreement for a 100% of Yale's interest in the Zacatecas Venture.

To fulfill the terms of the agreement Silver Sun will make a final payment to Yale of 300,000 shares. This will increase Yale's holdings in Silver Sun to 500,000 shares, which will represent 5.26% of the issued capital of Silver Sun.

Upon completion, Yale will transfer its 73% interest in the Zacatecas Venture to Silver Sun who will then inherit the terms of the Joint Venture with minority partner IMPACT Silver Corp.

**On January 29, 2010**, the Company announced that ongoing fieldwork at the wholly owned Orofino Project has identified a new mineralized target.

The new target, the Koala Zone, is made up of a zone of oxidation that measures approximately 175 by 90 metres. The discovery outcrop, located at the southern edge of the Koala Zone, returned values of 1.07 g/t gold, 60.1 g/t silver, 1.22 % lead and 1.82 % zinc over 1 metre. A hand dug trench, located 50 metres to the north, uncovered a second mineralized structure that returned **10 metres averaging 0.58 g/t gold, 57.4 g/t silver, 8.4 % lead and 1.4 % zinc** located approximately 45 metres to the east.

Limited outcrop requires that continued work at the Koala Zone will consist of additional trenching. The potential to expand the area is demonstrated by one outcrop that occurs approximately 50 metres to the southeast that returned 0.68 g/t gold from a panel sample measuring 2 m by 1 m.

**On February 17, 2010**, the Company announced that it has started a field program at its wholly owned Urique Project on behalf of its partner American Sierra Gold Corp. (OTCBB – AMNP). The field program is scheduled to last approximately one month and will concentrate on five target areas within the 29,000 hectare (or 290 square kilometre) property. The Urique Project stretches approximately 40 kilometres from Goldcorp's El Sauzal property to Kimber Resources' Monterde property. There are currently 10 known targets within the property.

The option agreement requires that American Sierra have expenditures totalling \$500,000 during the second year of the earn-in period.

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](http://www.yaleresources.com)).

## Corporate Events

**On August 4, 2009**, the Company announced that it had increased the size of the previously announced non-brokered private placement of up to 10,000,000 units at a price of \$0.04 per unit (see news release dated July 27, 2009) to up to 12,000,000 units to raise a total of up to \$480,000 with the same terms as previously announced.

**On August 19, 2009**, the Company announced that final approval had been received from the TSX-V for the first tranche of a non-brokered private placement to place up to 12,000,000 Units of the Company at a price of \$0.04 per Unit for gross proceeds of \$480,000. The first tranche is 6,200,000 Units for gross proceeds of \$248,000. A Unit consists of one common share and one half of a non-transferable common share purchase warrant valid for one year. A whole warrant will entitle the holder to purchase one additional common share at a price of \$0.07. The warrants will expire on August 13, 2010. If the shares in Yale trade above \$0.085 for a period of ten consecutive trading days after the mandatory four month hold period, the warrants will be accelerated and expire within one month. The shares forming part of the units and the shares acquired on exercise of the warrants are subject to restrictions on resale until Dec. 14, 2009.

The Company paid \$24,000 and issued 76,000 warrants to PI Financial Corp. as finder's fees on a portion of first tranche. The terms for the warrants are the same as those of the financing.

Proceeds of the placement will be applied to ongoing work programs on the Company's current portfolio of properties as well as new opportunities and general working capital.

**On August 28, 2009**, the Company announced that final approval had been received from the TSX-V for the second tranche of a non-brokered private placement (see news releases dated July 27 and August 4, 2009) totaling 5,800,000 Units for gross proceeds of \$232,000. A Unit consists of one common share and one half of a non-transferable common share purchase warrant valid for one year. A whole warrant will entitle the holder to purchase one additional common share at a price of \$0.07. The warrants will expire on August 20, 2010. If the shares in Yale trade above \$0.085 for a period of ten consecutive trading days after the mandatory four month hold period, the warrants will be accelerated and expire within one month. The shares forming part of the units and the shares acquired on exercise of the warrants are subject to restrictions on resale until Dec. 21, 2009.

The Company paid \$9,100 to two parties and issued 72,500 warrants to PI Financial Corp. as finder's fees on a portion of second tranche. The terms for the warrants are the same as those of the financing.

**On September 29, 2009**, the Company announced a non-brokered private placement of up to 10,000,000 units at a price of \$0.08 per unit to raise a total of up to \$800,000. A unit will consist of one common share and one non-transferable common share purchase warrant valid for one year. Each warrant will entitle the holder to purchase one additional common share at a price of \$0.11.

The Company has agreed to pay a commission, upon closing, on portions of the proceeds raised. Proceeds of the placement will be applied to ongoing work programs on the Company's current portfolio of properties and on general working capital. Completion of the placement is subject to the approval of the TSX Venture Exchange.

The Company also announced that it had cancelled 2,150,000 stock options – 620,000 at \$0.35, with expiry date of February 28, 2010; 100,000 at \$0.30, expiring May 31, 2010; and 1,430,000 at \$0.20 expiring February 10, 2011. The Company has granted 1,950,000 at \$0.10 expiring September 29, 2012. The cancellations are in accordance with TSX Venture Exchange guidelines with respect to the re-issuance of any of the cancelled options for 12 months following the cancellation.

**On October 15, 2009**, the Company announced that it was re-pricing the previously announced non-brokered private placement (see news release dated September 29, 2009) of up to 10,000,000 units at a price of \$0.08 per unit to a price of \$0.06 per unit to raise a total of up to \$600,000. A unit will consist of one common share and one non-transferable common share purchase warrant valid for one year. Each warrant will entitle the holder to purchase one additional common share at a price of \$0.09.

**On October 20, 2009**, the Company announced that it was increasing the previously announced non-brokered private placement (see news release dated October 15, 2009) from up to 10,000,000 units at a price of \$0.06 per unit to raise a total of up to \$600,000 to up to 20,000,000 units to raise a total of up to \$1,200,000. A unit will consist of one common share and one non-transferable common share purchase warrant valid for one year. Each warrant will entitle the holder to purchase one additional common share at a price of \$0.09.

**On December 18, 2009**, the Company announced that final approval had been received from the TSX-V for the first tranche of a previously announced non-brokered private placement (please see news releases dated October 15 and 20, 2009) in the Company at a price of \$0.06 per Unit. The first tranche is 2,565,000 Units for gross proceeds of \$153,900. A Unit consists of one common share and one non-transferable common share purchase warrant valid for one year that will entitle the holder to purchase one additional common share at a price of \$0.10. The warrants will expire on December 18, 2010. The shares forming part of the units and the shares acquired on exercise of the warrants are subject to restrictions on resale until April 18, 2009.

The Company paid a total of \$11,190 and issued 186,500 warrants to Capital Street Group, Canaccord Financial Ltd., and PI Financial Corp. as finder's fees on a portion of first tranche. The terms for these warrants are the same as those of the financing.

On December 30, 2009, the Company announced a correction to the hold and expiry dates of the recently completed first tranche financing (see news release dated December 18, 2009).

The warrants will expire on **December 19, 2010**. The shares forming part of the units and the shares acquired on exercise of the warrants are subject to restrictions on resale until **April 19, 2009**.

**On January 27, 2010**, the Company announced that final approval has been received from the TSX-V for the second tranche of a previously announced non-brokered private placement (please see news releases dated October 15 and 20, 2009) in the Company at a price of \$0.06 per Unit. The first tranche is 5,250,000 Units for gross proceeds of \$315,000. A Unit consists of one common share and one non-transferable common share purchase warrant valid for one year that will entitle the holder to purchase one additional common share at a price

of \$0.10. The warrants will expire on January 23, 2010. The shares forming part of the units and the shares acquired on exercise of the warrants are subject to restrictions on resale until May 23, 2009.

The Company paid a total of \$30,900 and issued 515,000 warrants to Capital Street Group, Canaccord Financial Ltd., Argentaurus Investments and PI Financial Corp. as finder's fees on a portion of the second tranche. The terms for these warrants are the same as those of the financing.

**On February 5, 2010**, the Company announced that final approval has been received from the TSX-V for the third tranche of a previously announced non-brokered private placement (please see news releases dated October 15 and 20, 2009) in the Company at a price of \$0.06 per Unit. This third tranche is 850,000 Units for gross proceeds of \$51,000. A Unit consists of one common share and one non-transferable common share purchase warrant valid for one year that will entitle the holder to purchase one additional common share at a price of \$0.10. The warrants will expire on February 2, 2011. The shares forming part of the units and the shares acquired on exercise of the warrants are subject to restrictions on resale until June 2, 2009.

The Company paid a total of \$5,100 and issued 51,000 warrants to PI Financial Corp. as finder's fees for the third tranche. The terms for these warrants are the same as those of the financing.

The Company has now closed the financing after netting to the Company \$472,710.

### **Results of Operations**

The Company currently does not have an operating or producing mineral property. The Company has no earnings from mineral properties and therefore will finance its future exploration activities by the sale of common shares or units. Certain of the key risk factors of the Company's operating results are the following: the state of capital markets, which affects the ability of the Company to finance its exploration activities; the write-down and abandonment of mineral property interests as exploration results provide further information relating to the underlying value of such properties; and market prices for natural resources as well as the nonviability of its projects.

The Company's accounting policy as it relates to its acquisition of its mineral property interests is to defer all costs of acquiring mineral resource properties and their related exploration and development costs until the properties to which they relate are placed into production, sold or abandoned or impaired. At that time, capitalized costs are either depleted using the unit-of-production method over the estimated life of the ore-body, following the commencement of production, or written off at the time the property is sold or abandoned.

The Company is not a party to any material legal proceedings and is not in default under any material debt or other contractual obligations other than as disclosed in the financial statements. No significant revenue generating contracts or cash commitments were entered into or undertaken by the Company during the period other than as set out herein or in the financial statements of the Company.

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

- i) Accounting, audit and legal fees increased by \$21,920 to \$79,451 from \$57,531 in 2008 and reflect preparations for integration of international financial reporting standards, legal work done in respect of mineral property options, and the completion of two large private placements.
- ii) Investor relations decreased by \$54,696 to \$69,277 from \$123,973 in 2008 and reflect one time contracts completed in 2008.
- iii) Office and miscellaneous decreased by \$24,686 to \$49,683 from \$74,369 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 \$25,183 to \$55,453 from \$30,270 in 2008 and reflects an increased need for office space to manage the Mexican subsidiary;

- v) Management fees decreased by \$55,000 to \$60,000 from \$115,000 and reflect work done by one consultant, previously managerial in nature, being recorded as investor relations fees for the current year.
- vi) Consultants' fees increased by \$32,711 to \$140,000 from \$107,289 in 2008 and reflect one time contracts completed in 2008 and the change in classification of management fees as described in (v) above.
- vii) Regulatory fees decreased by \$14,469 to \$17,716 from \$32,185 and reflect decreased activity with respect to warrants, stock options, and number of private placements.
- viii) Warrant revaluation increased by \$45,494 to \$45,494 from \$nil and reflect warrants repriced during the year. See Note 9(f) of the audited financial statements for full details.

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

- i) Cash decreased by \$232,461 to \$60,284 from \$292,745 and reflects ongoing exploration of the Company's mineral properties.
- ii) Amounts receivable have decreased by \$14,317 to \$112,585 from \$126,902 and reflect the ongoing net payments versus refunds of refundable taxes on work done in Mexico.
- iii) Prepaid expenses increased by \$65,955 to \$90,287 from \$24,332 and reflect prepayment of two consulting contracts for work to be done through January 31, 2010.
- iv) Mineral Interests have decreased by \$715,247 to \$2,749,176 from \$3,464,423 and reflect ongoing exploration expenditures in Mexico netted against option payments and other cost recoveries received, and write downs of mineral properties.

#### Selected Annual Information

	Oct. 31, 2009 \$	Oct. 31, 2008 \$	Oct. 31, 2007 \$
Total revenue	Nil	Nil	Nil
Loss for the year	(1,615,185)	(777,199)	(832,373)
Basic and diluted loss per share	(0.03)	(0.02)	(0.03)
Total assets	3,105,770	3,953,588	2,603,983
Total long-term financial liabilities	Nil	Nil	Nil

#### Fourth Quarter Results

The Company incurred a loss of \$1,251,667 for the quarter ended October 31, 2009. Significant items incurred during the quarter are as follows:

- i) Write downs of mineral properties totaling \$900,752
- ii) Accounting, audit and legal fees were \$19,064
- iii) Consultants' fees were \$86,000;
- iv) Management fees were \$15,000;
- v) Stock based compensation expense was \$157,170; and
- vi) Warrant revaluation expense was \$45,494

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 (\$1,251,667) was incurred in the normal course of operations.

## 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.

	Oct. 31, 2009	July 31, 2009	Apr. 30, 2009	Jan. 31, 2009	Oct. 31, 2008	July 31, 2008	Apr. 30, 2008	Jan. 31, 2008
Revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Loss for the period	1,251,667	132,492	110,942	120,084	173,834	137,122	351,367	114,876
Basic and diluted loss per share	(0.02)	(0.01)	0.00	(0.003)	(0.004)	(0.003)	(0.01)	(0.004)

## Liquidity and Capital Resources

As at October 31, 2009 the Company had working capital of \$70,964, as compared to working capital deficit of \$62,028 as at July 31, 2009, which was 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 October 31, 2009, the Company had cash of \$60,284 (\$52,505 as at July 31, 2009).

## Related Party Transactions

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

- (a) Consultants' fees of \$72,000 (2008 - \$72,000) were paid to a company controlled by the President of the Company. Amounts payable as at October 31, 2009 were \$25,200.
- (b) Management fees of \$Nil (2008 - \$20,000) were paid to a company whose principal was an officer of the Company in prior years.
- (c) Management fees of \$60,000 (2008 - \$40,000) were paid to an officer of the Company.
- (d) Investor relations fees of \$Nil (2008 - \$25,500) were paid to a family member of a director of the Company.
- (e) Office service fees of \$42,300 (2008 - \$60,000) 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.

## 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

## 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

### **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 disclosure 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 ("ARO"), recoverability of mineral property interests, depletion of oil and gas interests, the determination of variables used in stock-based compensation, rates of amortization for equipment, accrued liabilities, and the determination of valuation allowances for any future income tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flow.

### **Changes in Accounting Policies Including Initial Adoption**

## **Future accounting changes**

### **(i) International Financial Reporting Standards ("IFRS")**

In 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the transition to IFRS from Canadian GAAP will be effective for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises. The Company will therefore be required to present IFRS financial statements for its January 31, 2012 interim financial statements. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended October 31, 2011 and earlier where applicable. The Company is currently evaluating the impact of the conversion on the Company's consolidated financial statements and is considering accounting policy choices available under IFRS.

### **(ii) Business Combinations**

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These new standards are harmonized with IFRS. Section 1582 specifies a number of changes, including: an expanded definition of a business, a requirement to measure all business acquisitions at fair value, the use of the date of exchange as the measurement date, the requirement to measure non-controlling interests at fair value and a requirement to recognize acquisition related costs that are not capital in nature as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. The new standards will become effective in 2011 but early adoption is permitted.

## **International Financial Reporting Standards**

The conversion to IFRS will likely impact the Company's statement of financial position and results of operations. To transition to IFRS, changes may be required to the Company's information technology and data systems, internal control over financial reporting, disclosure controls and procedures, financial reporting expertise and training requirements, and matters that may be influenced by GAAP measures such as capital requirements.

The detailed analysis of the IFRS – Canadian GAAP differences, and the selection of accounting policy choices under IFRS has commenced and the Company will continuously monitor changes in IFRS leading up to the changeover date, and will update its conversion plan as required.

## **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, 2009. Based on management's assessment and those criteria, management has concluded that the internal control over financial reporting as at October 31, 2009 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, 2009.

### **Disclosure of Outstanding Share Data**

As at February 15, 2010, the Company had the following common shares, stock options and warrants outstanding:

Common shares	67,741,879
Stock options (vested and unvested)	3,765,000
Warrants	9,505,000
Fully diluted shares outstanding	81,011,879

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 Exploration Stage Company)**

**Consolidated Financial Statements**  
**October 31, 2009 and 2008**

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Yale Resources Ltd. (an exploration stage company) have been prepared by management in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgment based on information currently available. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded. All transactions are authorized and duly recorded, and financial records are properly maintained to facilitate financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors has reviewed the consolidated financial statements with management and the external auditors. Smythe Ratcliffe LLP, an independent firm of chartered accountants, appointed as external auditors by the shareholders, have audited the consolidated financial statements and their report is included herein.

*"Ian Foreman" (signed)*

Ian Foreman  
President and Chief Executive Officer

*"Ezra Jiminez" (signed)*

Ezra Jiminez  
Chief Financial Officer

Vancouver, British Columbia  
February 5, 2010

**AUDITORS' REPORT**

**TO THE SHAREHOLDERS OF YALE RESOURCES LTD.**  
(An Exploration Stage Company)

We have audited the consolidated balance sheets of Yale Resources Ltd. (an exploration stage company) as at October 31, 2009 and 2008 and the consolidated statements of operations, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*"Smythe Ratcliffe LLP" (signed)*

Chartered Accountants

Vancouver, British Columbia  
February 5, 2010

**YALE RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**Consolidated Balance Sheets**

	October 31, 2009	October 31, 2008
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 60,284	\$ 292,745
Marketable securities (note 4)	15,500	0
Amounts receivable	112,585	126,902
Prepaid expenses and advances	71,237	5,282
	259,606	424,929
<b>Amounts Receivable</b>	31,706	0
<b>Prepaid Expenses</b>	19,050	19,050
<b>Investment in Oil and Gas Interests</b> (note 5)	34,869	32,078
<b>Equipment</b> (note 6)	11,363	13,108
<b>Mineral Property Interests</b> (note 7)	2,749,176	3,464,423
	\$ 3,105,770	\$ 3,953,588
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 10)	\$ 188,642	\$ 202,342
<b>Shareholders' Equity</b>		
<b>Capital Stock</b> (note 9)	12,358,443	11,839,468
<b>Contributed Surplus</b>	1,055,801	795,209
<b>Deficit</b>	(10,498,616)	(8,883,431)
<b>Accumulated Other Comprehensive Income</b>	1,500	0
	2,917,128	3,751,246
	\$ 3,105,770	\$ 3,953,588

Nature of Operations and Going Concern (note 1)  
 Commitments (note 13)  
 Subsequent Events (note 15)

Approved by the Board:

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

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

**YALE RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**Consolidated Statements of Operations**  
**Years Ended October 31**

	<b>2009</b>	<b>2008</b>
<b>Revenues</b>		
Oil and gas revenue, net	\$ 15,815	\$ 30,027
Interest and miscellaneous	12,292	7,634
	<b>28,107</b>	<b>37,661</b>
<b>Operating Expenses</b>		
Stock-based compensation (note 9(g))	182,673	183,851
Consultants' fees (note 10(a))	140,000	107,289
Accounting, audit and legal	79,451	57,531
Investor relations and promotion (note 10(d))	69,277	123,973
Management fees (notes 10(b) and (c))	60,000	115,000
Rent	55,453	30,270
Office and miscellaneous (note 10(e))	49,683	74,369
Warrant revaluation (note 9(f)(i))	45,494	0
Regulatory fees	17,716	32,185
Travel	10,103	18,247
Transfer agent and listing fees	7,351	8,750
Telephone	3,811	9,287
Amortization and depletion	12,300	12,369
	<b>733,312</b>	<b>773,121</b>
<b>Loss Before Other Items</b>	<b>705,205</b>	<b>735,460</b>
<b>Other Items</b>		
Write-down/off of mineral property interests	900,752	26,359
Foreign exchange loss	9,228	18,412
Gain on sale of marketable securities	0	(3,032)
<b>Net Loss for Year</b>	<b>\$ 1,615,185</b>	<b>\$ 777,199</b>
<b>Loss Per Share, basic and diluted</b>	<b>\$ 0.03</b>	<b>\$ 0.02</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>50,657,432</b>	<b>37,149,622</b>

**YALE RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**Consolidated Statements of Shareholders' Equity**

	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)
Recognition of unrealized gain on marketable securities	0	0	0	0	(1,000)	(1,000)
Loss and comprehensive gain (loss) for year	0	0	0	(777,199)	(1,000)	(778,199)
Common shares issued for cash	31,466,856	9,874,992	606,358	(8,883,431)	0	1,597,919
Private placement	10,982,800	1,826,376	5,000	0	0	1,831,376
Common shares issued for mineral property 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	(1,615,185)	0	(1,615,185)
Unrealized gain on marketable securities	0	0	0	0	1,500	1,500
Loss and comprehensive gain (loss) for year	0	0	0	(1,615,185)	1,500	(1,613,685)
Common shares issued for cash	43,229,656	11,839,468	795,209	(10,498,616)	1,500	2,137,561
Private placements	12,000,000	420,475	32,425	0	0	452,900
Exercise of warrants	645,000	32,250	0	0	0	32,250
Common shares issued for mineral property interests	1,250,000	66,250	0	0	0	66,250
Stock-based compensation	0	0	182,673	0	0	182,673
Warrant revaluation	0	0	45,494	0	0	45,494
Balance – October 31, 2009	57,124,656	\$ 12,358,443	\$ 1,055,801	\$ (10,498,616)	\$ 1,500	\$ 2,917,128

See notes to consolidated financial statements.

**YALE RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**Consolidated Statements of Cash Flows**  
**Years Ended October 31**

	<b>2009</b>	<b>2008</b>
<b>Operating Activities</b>		
Net loss	\$ (1,615,185)	\$ (777,199)
Items not affecting cash		
Amortization and depletion	12,300	12,369
Stock-based compensation	182,673	183,851
Warrant revaluation	45,494	0
Unrealized foreign exchange loss (gain)	20,546	(6,448)
Write-down/off of mineral property interests	900,752	26,359
Gain on sale of marketable securities	0	(3,032)
	(453,420)	(564,100)
Changes in non-cash working capital		
Amounts receivable	(36,359)	(51,115)
Prepaid expenses and advances	(65,955)	(20,409)
Accounts payable and accrued liabilities	62,708	12,112
	(39,606)	(59,412)
<b>Cash Used in Operating Activities</b>	<b>(493,026)</b>	<b>(623,512)</b>
<b>Investing Activities</b>		
Purchase of equipment	(555)	(10,457)
Purchase of investment in oil and gas interests	(12,791)	0
Expenditures on mineral property interests	(207,849)	(1,456,824)
Proceeds on sale of marketable securities	0	20,032
<b>Cash Used in Investing Activities</b>	<b>(221,195)</b>	<b>(1,447,249)</b>
<b>Financing Activity</b>		
Proceeds from issuance of common shares, net of share issue costs	485,150	1,831,376
<b>Foreign exchange effect on cash</b>	<b>(3,390)</b>	<b>5,888</b>
<b>Decrease in Cash</b>	<b>(232,461)</b>	<b>(233,497)</b>
<b>Cash, Beginning of Year</b>	<b>292,745</b>	<b>526,242</b>
<b>Cash, End of Year</b>	<b>\$ 60,284</b>	<b>\$ 292,745</b>
<b>Supplemental Cash Flow Information, Non-Cash Transactions</b>		
Common shares issued for mineral property interests	\$ 66,250	\$ 138,100
Common shares received for mineral property interests	\$ 14,000	\$ 0
Expenditures on mineral property interests and acquisition costs included in accounts payable	\$ 79,318	\$ 153,912
Income taxes paid	\$ 0	\$ 0
Interest paid	\$ 0	\$ 0

**YALE RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended October 31, 2009 and 2008**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Yale Resources Ltd. (the “Company”) is an exploration stage company incorporated under the laws of British Columbia. The Company and its subsidiaries are engaged in the acquisition and exploration of mineral properties located in Mexico.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in future profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral property interests. The recoverability of amounts shown for mineral property interests is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete their development and future profitable operations, or the sale or optioning of the properties.

The Company has sustained recurring losses and negative cash flows from operations. As at October 31, 2009, the Company had cash of \$60,284 (2008 - \$292,745); working capital of \$70,964 (2008 - \$222,587) and an accumulated deficit of \$10,498,616 (2008 - \$8,883,431). The Company has sustained losses from operations, as well as has ongoing requirements for capital investment for its mineral property interests. The Company expects that it will need to raise substantial additional capital to accomplish its business plan over the next several years. The Company expects to seek to obtain additional funding through equity financing. There can be no assurance as to the availability or terms upon which such financing might be available.

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. SIGNIFICANT ACCOUNTING POLICIES**

(a) Basis of presentation and consolidation

These consolidated financial statements are prepared in accordance with Canadian GAAP and include the accounts of the Company and its wholly owned integrated subsidiaries, Sable Minerals PTY Ltd., a company incorporated under the laws of the Republic of Namibia (note 15(e)), 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 accounts and transactions have been eliminated.

(b) Mineral property interests

The Company defers all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property 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 property interests are either developed or the Company's mineral rights are allowed to lapse.

All deferred mineral property expenditures are reviewed annually, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property 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.

**YALE RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended October 31, 2009 and 2008**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(b) Mineral property interests (Continued)

From time to time the Company may acquire or dispose of a mineral property 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 recorded as property costs or recoveries when the payments are made or received.

(c) Oil and gas interests

The Company follows the full cost method of accounting for oil and gas interests 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 or 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.

(e) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercises would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be 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.

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**2. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

(f) Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments measured and recognized, to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged either to operations or mineral property interests, with the offset credit to contributed surplus. For directors and employees the options are recognized over the vesting period, and for non-employees the options are recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to capital stock. The Company does not incorporate an estimated forfeiture rate for options that will not vest but rather accounts for actual forfeitures as they occur.

(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.

(h) Revenue recognition

Revenue from oil and gas investment is recognized as received on a monthly basis.

(i) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of environmental and asset retirement obligations (“ARO”), recoverability of mineral property interests, depletion rate of oil and gas interest, the determination of variables used in the calculation of stock-based compensation, rates for amortization of equipment, accrued liabilities, and the determination of valuation allowances for any future income tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flow.

(j) 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.

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(j) Foreign currency translation (Continued)

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

(k) Asset retirement obligations

The Company recognizes an estimate of the liability associated with an 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, 2009, the Company has determined that it has no material AROs to record in the consolidated financial statements.

(l) Non-monetary transactions

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset received, whichever is more reliable, unless the transaction lacks commercial substance or the fair value cannot be reliably established. The commercial substance requirement is met when the future cash flows are expected to change significantly as a result of the transaction. When the fair value of a non-monetary transaction cannot be reliably measured, it is recorded at the carrying amount (after reduction, when appropriate, for impairment) of the asset given up adjusted by the fair value of any monetary consideration received or given. When the asset received or the consideration given up is shares in an actively traded market, the value of those shares will be considered fair value.

(m) Warrants

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

(n) Financial instruments

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition. When a decline in the fair value of an available-for-sale financial asset has been recognized directly in comprehensive income, and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in other comprehensive income is removed from accumulated other comprehensive income and recognized in net income even though the financial asset has not been derecognized.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

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**2. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

(n) Financial instruments (Continued)

The fair value of substantially all marketable securities is determined by quoted market prices. Gains or losses on securities sold are based on the specific identification method. Marketable securities held in escrow are recorded at fair value on initial recognition. Any subsequent changes to fair value are not recognized until the securities are released from escrow.

Comprehensive income or loss is defined as the change in equity from transactions and other events from sources other than the Company's shareholders. Other comprehensive income or loss refers to items recognized in comprehensive income or loss that are excluded from operations calculated in accordance with Canadian GAAP.

For the Company, such items consist primarily of unrealized gains and losses on marketable securities. The Company has included other comprehensive income (loss) in the statements of shareholders' equity.

(o) Amendment of accounting standards

The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3862 has been amended to include additional disclosure requirements about fair value measurements and to enhance liquidity risk disclosure requirements for publicly accountable enterprises and other entities that chose to apply this section. Section 3862.27 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value of financial instruments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and then lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

Additional disclosure on the measurement of fair value of financial instruments has been provided in note 3 and enhanced liquidity risk disclosures have been provided in note 3(b).

(p) Future accounting changes

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

In 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the transition to IFRS from Canadian GAAP will be effective for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises. The Company will therefore be required to present IFRS financial statements for its January 31, 2012 interim financial statements. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended October 31, 2011. The Company is currently evaluating the impact of the conversion on the Company's consolidated financial statements and is considering accounting policy choices available under IFRS.

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**2. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

(p) Future accounting changes (Continued)

(ii) Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These new standards are harmonized with IFRS. Section 1582 specifies a number of changes, including: an expanded definition of a business, a requirement to measure all business acquisitions at fair value, the use of the date of exchange as the measurement date, the requirement to measure non-controlling interests at fair value and a requirement to recognize acquisition related costs that are not capital in nature as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. The new standards will become effective in 2011 but early adoption is permitted.

**3. FINANCIAL INSTRUMENTS**

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

The carrying value of financial assets by category at October 31, 2009 and 2008 are as follows:

Financial Assets	2009		2008	
	Held-for-trading	Available-for-sale*	Held-for-trading	Available-for-sale
Cash	\$ 60,284	\$ -	\$ 292,745	\$ -
Marketable securities	-	15,500	-	-
	\$ 60,284	\$ 15,500	\$ 292,745	\$ -

\* The available-for-sale financial assets include 150,000 shares held in escrow for the Company, valued at a cost of \$10,500 (note 4).

The carrying value of financial liabilities by category at October 31, 2009 and 2008 are as follows:

Financial Liabilities	2009	2008
	Other Financial Liabilities	Other Financial Liabilities
Accounts payable and accrued liabilities	\$ 188,642	\$ 202,342

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**3. FINANCIAL INSTRUMENTS (Continued)**

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

Fair value levels for the financial assets and liabilities are as follows:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>	\$	\$	\$	\$
Cash	60,284	-	-	60,284
Marketable securities	5,000	-	-	5,000
	65,284	-	-	65,284
<b>Financial liabilities</b>	\$	\$	\$	\$
Accounts payable and accrued liabilities	188,642	-	-	188,642

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash. The Company protects its cash from undue risk by holding it with various high credit quality financial institutions located in Canada, Mexico and Namibia.

The Company's concentration of credit risk and maximum exposure thereto are as follows:

	<b>2009</b>	<b>2008</b>
Bank accounts – Canada	\$ 48,409	\$ 284,805
Bank accounts – Mexico	11,026	7,215
Bank accounts – Namibia	849	725
	\$ 60,284	\$ 292,745

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations and commitments as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations and anticipated investing and financing activities.

All its non-derivative financial liabilities, made up of accounts payable and accrued liabilities, are due within 90 days of the year-end. The Company does not have any derivative financial liabilities.

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**3. FINANCIAL INSTRUMENTS (Continued)**

(b) Liquidity risk (Continued)

At October 31, 2009, the Company has neither credit facilities nor debts other than accounts payable and accrued liabilities of \$188,642. The Company meets its obligations by maintaining an adequate supply of cash on hand. At October 31, 2009, the cash balance of \$60,284 would be insufficient to meet the cash requirements for the Company's administrative overhead, maintaining its mineral property interests and continuing with its exploration program for the coming year. As exploration is largely conducted at the Company's discretion, management sees no reason to believe that cash on hand at October 31, 2009 and additional funds raised through issuance of equity instruments (notes 15(b) and (d)) will not be sufficient to carry the Company's operations for the next year. Management believes that if adverse equity market conditions continue, ongoing exploration may be curtailed until the equity markets are stronger. In past years, the Company has relied on its ability to raise additional financing through the sale of common shares in order to fund its exploration.

(c) Market risk

Market risk is the risk to the Company that the fair value or future cash flows of financial instruments will fluctuate due to changes in interest rates and foreign exchange rates.

(i) Interest rate risk

The Company's cash held in bank accounts earns interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of October 31, 2009.

(ii) Foreign currency risk

The Company is primarily exposed to currency fluctuations related to cash balances held in United States dollars ("US dollars"), Mexican pesos ("pesos") and Namibian dollars, receivables held in pesos, and payables held in US dollars and pesos. The Company has net liabilities of \$45,361 denominated in US dollars, net assets of \$129,867 denominated in pesos and net assets of \$849 in Namibian dollars at October 31, 2009. Fluctuations in the exchange rates between the Canadian dollar, US dollar, peso and Namibian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not manage currency risk through hedging or other currency management tools.

(d) Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve-month period.

(i) Management believes that the exchange rate between the Canadian dollar and US dollar could fluctuate by more than 10% within the next 12 months. Based on the October 31, 2009 balances, an increase or decrease of 10% in the exchange rate between the Canadian dollar and US dollar would result in an increase or decrease of \$4,536 in the net loss of the Company.

(ii) Management believes that the exchange rate between the Canadian dollar and the peso could fluctuate by 10% within the next 12 months. Based on the October 31, 2009 balances, an increase or decrease of 10% in the exchange rate between the Canadian and the peso would result in an increase or decrease of \$12,987 in the net loss of the Company.

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**3. FINANCIAL INSTRUMENTS (Continued)**

(d) Sensitivity analysis (Continued)

Limitations of sensitivity analysis

The above analysis demonstrates the effect of a change in foreign exchange rates in isolation. In reality, there is a correlation between the two factors. Additionally, the financial position of the Company may vary at the time that a change in either of these factors occurs, causing the impact on the Company's results to differ from that shown above.

**4. MARKETABLE SECURITIES**

Marketable securities consist of 200,000 shares of Silver Sun Resource Corp. ("Silver Sun"), of which 50,000 are recorded at fair value and 150,000 are held in escrow, to be released from escrow at the rate of 30,000 shares every six months starting December 25, 2009 (note 7(c)). Shares held in escrow are recorded at cost.

**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. During the current year, the Company contributed an additional \$12,791.

**6. EQUIPMENT**

October 31, 2009	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Office equipment	25,210	16,291	8,919
Computer equipment	7,559	5,115	2,444
	32,769	21,406	11,363
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

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**7. MINERAL PROPERTY INTERESTS**

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

	Urique \$	Carol-Balde \$	Zacatecas \$	La Verde Grande \$	Dos Naciones \$	Oro Fino \$	Other Properties \$	Total \$
Balance, October 31, 2008	1,537,911	435,658	528,344	925,235	31,864	0	5,411	3,464,423
Less: Advances	0	0	0	0	(2,600)	0	0	(2,600)
	1,537,911	435,658	528,344	925,235	29,264	0	5,411	3,461,823
Additions during the year								
Acquisition costs	377,458	0	0	62,017	0	54,183	0	493,658
Assay	0	246	10,859	11,199	176	2,696	0	25,176
Camp and exploration support	11,667	14,998	27,147	28,046	14,500	15,982	685	113,025
Drilling	9,923	0	101,265	0	0	0	0	111,188
Geological consulting	0	3,900	0	3,000	0	0	0	6,900
Geological fieldwork	0	79	19,142	3,290	0	3,127	0	25,638
Materials and supplies	91	1,108	2,574	1,629	482	3,508	0	9,392
Reports, drafting and maps	0	0	600	0	0	0	0	600
Taxes	39,965	20,210	922	16,136	5,817	11,153	673	94,876
Travel	1,343	622	8,448	1,136	240	3,485	352	15,626
Total costs during year	440,446	41,163	170,958	126,453	21,215	94,134	1,710	896,079
Recoveries	(421,649)	0	(251,325)	0	(35,000)	0	0	(707,974)
Net additions during year	18,797	41,163	(80,367)	126,453	(13,785)	94,134	1,710	188,105
	1,556,708	476,821	447,977	1,051,688	15,479	94,134	7,121	3,649,928
Mineral interests written down	(248,017)	(240,268)	(412,467)	0	0	0	0	(900,752)
Balance, October 31, 2009	1,308,691	236,553	35,510	1,051,688	15,479	94,134	7,121	2,749,176

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**7. MINERAL PROPERTY 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		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 year	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 year	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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**7. MINERAL PROPERTY INTERESTS (Continued)**

(a) Urique Property, Mexico

The Company (“Optionee”) entered into an Option Agreement with Exmin Resources Ltd. (“Optionor” or “Exmin”) 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 was also the operator for the property. The Optionor was committed to certain property payment commitments. The Company was 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 an agreement dated April 6, 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 agreement, the Company also took responsibility for accounts payable of US\$148,000 arising from past expenditures on this project. Exmin will retain a 2% net smelter returns (“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\$800,000 as follows:
- US\$50,000 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, of which US\$250,000 has been received and is included as expense recoveries;
  - 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 Property, Mexico (Continued)

- (iii) Pay the Company an additional US\$360,000, or issue the equivalent value in shares of AMNP, as follows:
- US\$50,000 upon successful completion of NI 43-101 technical report (subsequently received); US\$50,000 upon starting the drilling program on or before August 1, 2009;
  - US\$50,000 upon successful completion of first year work program on or before April 30, 2010 (100,000 shares of AMNP subsequently received) ;
  - 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 seven years, and thereafter pay the Company US\$0.75 per every equivalent ounce of silver within the measured and indicated categories. The Company will act as the operator on the project for at least the first year of the agreement.

The Company has written down the carrying value of the Urique prospects by \$248,017 to its estimated net realizable value.

(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% 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).

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**7. MINERAL PROPERTY INTERESTS (Continued)**

(b) Carol-Balde Property, Mexico (Continued)

Subsequent to October 31, 2009, the Company signed a letter of intent (“LOI”) with AMNP for the Carol-Balde property. Pursuant to the LOI, AMNP may earn a 100% interest in the property by paying the Company a \$25,000 refundable amount at the time of signing of LOI (received), paying \$25,000 at the time of signing of definitive agreement, and by spending \$300,000 in mineral property expenditures and issuing 500,000 common shares as follows:

- (iii) By issuing the following common shares:
- 100,000 common shares upon signing definitive agreement;
  - 100,000 common shares on or before the first anniversary of the definitive agreement;
  - 150,000 common shares on or before the second anniversary of the definitive agreement; and
  - 150,000 common shares on or before the third anniversary of the definitive agreement.
- (iv) By incurring \$300,000 in exploration and development expenditures on the property as follows:
- \$100,000 on or before the first anniversary of the definitive agreement;
  - an additional \$100,000 on or before the second anniversary of the definitive agreement; and
  - an additional \$100,000 on or before the third anniversary of the definitive agreement.
  -

The Company has written down the carrying value of the Carol-Balde prospects by \$240,268 to its estimated net realizable value.

(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:

- 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);
- US\$100,000 maximum expenditures 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 (not exercised).

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 a 65% interest in 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.

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**7. MINERAL PROPERTY INTERESTS (Continued)**

(c) Zacatecas Property, Mexico (Continued)

During the year ended October 31, 2008, the Company entered into an agreement with Silver Sun (formerly: Enviro Energy Capital Corp.) whereby Silver Sun acquired the Company's rights under the above agreement with IMPACT to a 65% interest in the remaining three claims within the Zacatecas Property for cash payments totaling \$150,000 (\$50,000 received), the issuance of 500,000 shares of Silver Sun (50,000 shares received and 150,000 shares held in escrow (30,000 shares subsequently received)) (note 4), and a commitment from Silver Sun to spend a minimum of \$200,000 within 13 months. The Company will remain the operator on these properties until such time as Silver Sun fulfills its remaining obligations under the agreement.

During the year ended October 31, 2009, the interest of the Company in the property changed to 73% as IMPACT did not contribute its portion of exploration expenditures in the year.

Subsequent to October 31, 2009, the agreement with Silver Sun was amended and pursuant to the amendment, cash payments requirement from Silver Sun totaling \$100,000 (total requirement of \$150,000 less \$50,000 received) were eliminated.

The Company has written down the carrying value of the Zacatecas prospects by \$412,467 to its estimated net realizable value.

(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\$1,600,000 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

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

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

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 June 1, 2010;
- US\$255,000 on or before December 1, 2010;
- US\$350,000 on or before June 1, 2011; and
- US\$350,000 on or before December 1, 2011

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**7. MINERAL PROPERTY INTERESTS (Continued)**

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

On July 17, 2009, the Company renegotiated the overall agreement with the Optionor to modify the remaining commitments as follows:

- 43-101 report on the mineral property by September 30, 2009 (report issued);
- US\$60,000 on or before December 1, 2009;
- US\$250,000 on or before June 1, 2010;
- US\$255,000 on or before December 1, 2010;
- US\$350,000 on or before June 1, 2011; and
- US\$355,000 on or before December 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 (subsequently issued).

(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:

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

Del Toro can earn an additional 30% for 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.

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**7. MINERAL PROPERTY INTERESTS (Continued)**

(f) Oro Fino Property, Mexico

The Company entered into an assignment of option agreement on nine concessions 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 consideration of:

Cash payments totaling \$200,000 as follows:

- \$10,000 on or before November 24, 2009 (subsequently paid);
- \$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 (subsequently issued);
- 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 MX114,232 as follows:

- MX59,355 owed for the first semester of 2009 (paid); and
- MX54,877 owed for the second semester of 2009 (paid).

The Company entered into an assignment of option agreement on an additional five concessions with various title holders in Oro Fino region, dated October 1, 2009. Under the terms of the Option Agreement, the Company may acquire a 100% interest in consideration of cash payments of US\$950,000 as follows:

- US\$50,000 at the time of signing of the agreement (paid);
- US\$50,000 on or before April 1, 2010;
- US\$50,000 on or before October 1, 2010;
- US\$100,000 on or before April 1, 2011;
- US\$100,000 on or before October 1, 2011;
- US\$100,000 on or before April 1, 2012;
- US\$200,000 on or before October 1, 2012; and
- US\$300,000 on or before April 1, 2013.

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**7. MINERAL PROPERTY INTERESTS (Continued)**

(f) Oro Fino Property, Mexico (Continued)

The Company entered into an assignment of option agreement dated September 24, 2009 on an additional two concessions with Juan Manuel Flores Carrillo in the Oro Fino region. Under the terms of the Option Agreement, the Company may acquire a 100% interest in consideration of:

Cash payments totaling \$200,000 as follows:

- \$10,000 on or before January 9, 2010 (subsequently paid);
- \$15,000 on or before May 24, 2010;
- \$15,000 on or before July 9, 2010;
- \$20,000 on or before January 9, 2011;
- \$20,000 on or before July 9, 2011;
- \$40,000 on or before January 9, 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 January 9, 2010 (subsequently issued);
- 100,000 common shares on or before May 24, 2010;
- 100,000 common shares on or before July 9, 2010;
- 100,000 common shares on or before January 9, 2011;
- 100,000 common shares on or before July 9, 2011;
- 100,000 common shares on or before January 9, 2012; and
- 400,000 common shares on or before November 24, 2012.

(g) Other properties

Other properties balance is comprised of one property called the Zuzzan, acquired through staking during 2008.

(h) Realization of assets

The investment in and expenditures on mineral property 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.

(i) 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 property interests, the potential for production on a property may be diminished or negated.

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**7. MINERAL PROPERTY INTERESTS (Continued)**

(i) Environmental (Continued)

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.

(j) 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.

**8. INCOME TAXES**

As at October 31, 2009, the Company has non-capital losses of approximately \$4,470,000. Of the total losses, \$2,665,000 may be applied against future income for Canadian income tax purposes and \$1,805,000 may be applied against future income for Mexican income tax purposes.

The potential future tax benefits of these losses have not been recorded in these financial statements. The losses expire as follows:

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2010	\$	41,000
2011		398,000
2015		250,000
2017		539,000
2018		735,000
2019		531,000
2026		420,000
2027		457,000
2028		598,000
2029		501,000
	\$	4,470,000

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**8. INCOME TAXES** (Continued)

Significant components of the Company's future tax assets and liabilities, that have been calculated after applying enacted corporate income tax rates, Canada at 25% (2008 – 26%) and Mexico at 28% (2008 – 28%), are as follows:

	<b>2009</b>	<b>2008</b>
Future income tax assets		
Tax value over book value of equipment	\$ 6,169	\$ 5,818
Tax value over book value of share issue costs	29,746	37,087
Tax value over book value of investment in oil and gas interests	7,630	5,335
Tax value over book value of licensing costs	55,473	57,692
Tax value over book value of mineral property interests	93,737	389,063
Non-capital losses carried forward	1,172,022	562,997
	1,364,777	1,057,992
Valuation allowance	(1,364,777)	(1,057,992)
Future income tax assets, net	\$ 0	\$ 0

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

	<b>2009</b>	<b>2008</b>
Income tax benefit computed at statutory rates	\$ 487,285	\$ 240,758
Stock-based compensation	(68,830)	(57,337)
Other temporary differences incurred during the year	232,246	(11,627)
Write-down/off of mineral property interests	(271,727)	(7,018)
Resource expenditure expensed for Mexican tax purposes	4,386	23,457
Expired losses	0	(23,100)
Effects of change in future tax rates	(76,575)	(26,880)
Change in valuation allowance	(306,785)	(138,253)
Future income tax expense	\$ 0	\$ 0

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**9. CAPITAL STOCK**

Authorized

Unlimited number of common shares without par value

(a) Private placements

During the year ended October 31, 2009, the following private placements occurred:

- (i) In August 2009, the Company completed a non-brokered private placement in two tranches.
  - (a) The first tranche consisted of 6,200,000 units at a price of \$0.04 per unit for gross proceeds of \$248,000. Each unit consisted of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to acquire one additional common share at a price of \$0.07 on or before August 13, 2010. The Company paid a finder's fee of \$21,000 in cash and issued an additional 600,000 agent's warrants, with each warrant entitling the holder to acquire one common share at a price of \$0.07 per share on or before August 13, 2010. The fair value of these warrants was \$29,460.
  - (b) The second tranche consisted of 5,800,000 units at a price of \$0.04 per unit for gross proceeds of \$232,000. Each unit consisted of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to acquire one additional common share at a price of \$0.07 on or before August 20, 2010. The Company paid a finder's fee of \$6,100 in cash and issued an additional 72,500 agent's warrants, with each warrant entitling the holder to acquire one common share at a price of \$0.07 per share on or before August 20, 2010. The fair value of these warrants was \$2,965.

During the year ended October 31, 2008, the following private placements occurred:

- (ii) On February 1, 2008, the Company completed a non-brokered private placement consisting of 3,250,000 units at a price of \$0.15 per unit for gross proceeds of \$487,500. Each unit consisted of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to acquire one additional common share at a price of \$0.20 per share on or before January 31, 2009. The Company paid a finder's fee of \$14,600 in cash and issued an additional 82,800 units that are exercisable under the same terms as those outlined above.
- (iii) On May 9, 2008, the Company completed a non-brokered private placement consisting of 1,960,000 units at a price of \$0.18 per unit for gross proceeds of \$352,800. Each unit consisted of one common share and one-half of one share purchase warrant, with each warrant entitling the holder to acquire one additional common share at a price of \$0.25 per share on or before May 9, 2009. The Company paid finder's fees of \$7,048 in cash.
- (iv) On May 21, 2008, the Company completed a non-brokered private placement consisting of 2,040,000 units at a price of \$0.18 per unit for gross proceeds of \$367,200. Each unit consisted of one common share and one-half of one share purchase warrant, with each warrant entitling the holder to acquire one additional common share at a price of \$0.25 per share on or before May 21, 2009. The Company paid legal fees of \$2,329, a finder's fee of \$5,112 in cash and issued an additional 35,500 agent's warrants, with each warrant entitling the holder to acquire one common share at a price of \$0.25 per share on or before May 21, 2009. The fair value of these warrants was \$5,000.

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**9. CAPITAL STOCK (Continued)**

(a) Private placements (Continued)

- (v) On July 21, 2008, the Company completed a non-brokered private placement consisting of 3,650,000 units at a price of \$0.18 per unit for gross proceeds of \$657,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to acquire one additional common share at a price of \$0.25 per share on or before July 21, 2009. The Company paid legal fees of \$4,035 as share issue costs.

(b) Warrants exercised for cash

During the year ended October 31, 2009, 645,000 warrants were exercised for gross proceeds of \$32,250.

(c) Shares issued for mineral property interests

During the year ended October 31, 2009, the following property payments occurred:

- (i) On February 10, 2009, the Company issued 250,000 common shares valued at \$11,250 under the terms of the agreement to acquire the La Verde Grande Property (note 7(d)).
- (ii) On April 9, 2009, the Company issued 1,000,000 common shares valued at \$55,000 under the terms of the agreement to acquire the Urique Property (note 7(a)).

During the year ended October 31, 2008, the following property payments occurred:

- (iii) On March 4, 2008, the Company issued 300,000 shares valued at \$61,500, under the terms of the acquisition of the La Cobriza claims, located in the La Verde Grande Property (note 7(d)).
- (iv) On March 24, 2008, the Company issued 280,000 shares valued at \$47,600, under the terms of the acquisition of the Carol-Balde Property (note 7(b)).
- (v) On August 8, 2008, the Company issued 200,000 shares valued at \$29,000 under the terms of its option agreement with Exmin on the Urique Property (note 7(a)).

(d) Escrowed shares

As at October 31, 2009, there were 25,000 (2008 - 25,000) common shares held in escrow.

(e) Stock options

The Company has a stock option plan (the "Plan") under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The terms of any stock option granted under the Plan may not exceed five years and the exercise price of any stock option granted may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant, less discount permitted by the policies of the TSX Venture Exchange.

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**9. CAPITAL STOCK** (Continued)

(e) Stock options (Continued)

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

	2009		2008	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Opening balance	2,620,000	\$0.23	2,190,000	\$0.28
Granted	3,035,000	\$0.10	1,655,000	\$0.20
Cancelled/expired	(2,390,000)	\$0.25	(1,050,000)	\$0.31
Forfeited	0	\$0.00	(175,000)	\$0.22
Ending balance	3,265,000	\$0.09	2,620,000	\$0.23

Stock options outstanding and exercisable at October 31, 2009 were as follows:

Options Outstanding and Exercisable		
Expiry Date	Number of Shares	Weighted Average Exercise Price
May 3, 2010	80,000	\$0.30
November 1, 2010	150,000	\$0.25
November 26, 2011	935,000	\$0.10
April 19, 2012	150,000	\$0.10
September 29, 2012	1,950,000	\$0.10
Balance, October 31, 2009	3,265,000	\$0.11
Weighted average contractual life in years	2.51	

Stock options outstanding and exercisable at October 31, 2008 were as follows:

Options Outstanding and Exercisable		
Expiry Date	Number of Shares	Weighted Average Exercise Price
November 30, 2008	40,000	\$0.24
April 28, 2009	150,000	\$0.34
February 28, 2010	620,000	\$0.35
May 3, 2010	180,000	\$0.30
November 1, 2010	150,000	\$0.25
February 10, 2011	1,430,000	\$0.20
April 28, 2011	50,000	\$0.20
Balance, October 31, 2008	2,620,000	\$0.25
Weighted average contractual life in years	1.85	

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**9. CAPITAL STOCK (Continued)**

(f) Share purchase warrants

(i) Amended warrants

On December 11, 2008, the Company amended the exercise price and expiry dates of 4,529,100 share purchase warrants. Of these warrants, 2,029,100 were granted on December 11, 2006 expiring on December 11, 2008, and 2,500,000 were granted on December 21, 2006 expiring on December 21, 2008. The Company repriced the exercise price of these warrants from \$0.35 to \$0.05 and extended their expiry dates from December 11, 2008 and December 21, 2008 to December 11, 2009 and December 21, 2009, respectively.

These amended warrants were subject to an accelerated exercise period provision. Under this provision, if the closing price of the Company's shares is \$0.065 or higher for ten consecutive trading days (the "Premium Trading Days"), warrant holders will only have 30 calendar days, commencing seven calendar days after the last Premium Trading Day, to exercise the warrants. Notice of accelerated exercise provision was given to the warrants holders during the year and certain of the warrants expired unexercised.

The Company recorded a warrant revaluation expense of \$45,494 for the incremental value of the modified warrants with a corresponding credit to contributed surplus. The incremental value of the modified warrants were measured by the difference between the fair value of the modified warrants determined using the Black-Scholes option pricing model and the value of the old warrants immediately before their terms were modified, determined based on the shorter of their remaining expected life and the expected life of the amended warrants.

(ii) Share purchase warrants summary

As at October 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 / Amended	Exercised	Expired	Amended	Outstanding at October 31, 2009
\$0.35	December 11, 2008*	2,491,720	0	0	462,620	2,029,100	0
\$0.35	December 21, 2008*	2,942,337	0	0	442,337	2,500,000	0
\$0.45	January 22, 2009	330,000	0	0	330,000	0	0
\$0.20	January 31, 2009	1,666,400	0	0	1,666,400	0	0
\$0.50	July 26, 2009	500,000	0	0	500,000	0	0
\$0.50	August 8, 2009	2,100,500	0	0	2,100,500	0	0
\$0.30	August 8, 2009	400,000	0	0	400,000	0	0
\$0.25	May 9, 2009	980,000	0	0	980,000	0	0
\$0.25	May 21, 2009	1,055,500	0	0	1,055,500	0	0
\$0.25	July 21, 2009	3,650,000	0	0	3,650,000	0	0
\$0.05	December 11, 2009*	0	2,029,100	225,000	1,804,100	0	0
\$0.05	December 21, 2009*	0	2,500,000	420,000	2,080,000	0	0
\$0.07	August 13, 2010	0	3,700,000	0	0	0	3,700,000
\$0.07	August 20, 2010**	0	2,972,500	0	0	0	2,972,500
		16,116,457	11,201,600	645,000	15,471,457	4,529,100	6,672,500

\* See note (9)(f)(i)

\*\* See note 15(d)

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**9. CAPITAL STOCK (Continued)**

(f) Share purchase warrants (Continued)

(ii) Share purchase warrants summary (Continued)

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

(g) Stock-based compensation

During the year ended October 31, 2009, the Company granted stock options to acquire up to an aggregate of 3,035,000 (2008 - 1,655,000) common shares to directors, officers, employees and consultants.

The fair value of stock options granted and vested during the year in the amount of \$182,673 (2008 - \$183,851) would be allocated as expenses in the following expenditure categories:

	2009	2008
Consulting fees	\$ 56,577	\$ 0
Management fees	114,058	181,296
Salaries	12,038	0
Investor relations	0	2,555
	\$ 182,673	\$ 183,851

The fair value of stock options, agent's warrants and the amended share purchase warrants is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2009	2008
Risk-free interest rate	1.46%	3.19%
Expected dividend yield	0	0
Expected stock price volatility	138.44%	121.48%
Expected life in years	1.74	2.91

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**9. CAPITAL STOCK** (Continued)

(g) Stock-based compensation (Continued)

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, agent's warrants and amended share purchase warrants.

**10. RELATED PARTY TRANSACTIONS AND BALANCES**

- (a) Consultants' fees of \$72,000 (2008 - \$72,000) was paid to a company controlled by the President of the Company. Amounts payable as at October 31, 2009 were \$25,200.
- (b) Management fees of \$Nil (2008 - \$20,000) were paid to a company whose principal was an officer of the Company in prior years.
- (c) Management fees of \$60,000 (2008 - \$40,000) were paid to an officer of the Company.
- (d) Investor relations fees of \$Nil (2008 - \$25,500) were paid to a family member of a director of the Company.
- (e) Office service fees of \$42,300 (2008 - \$60,000) 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.

**11. 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 interest, which are located in the United States, and its mineral property interests, which are located in Mexico.

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	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Canada	160,308	319,430
United States	34,869	32,078
Mexico	2,910,593	3,602,080
	<b>3,105,770</b>	<b>3,953,588</b>

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**12. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

**YALE RESOURCES LTD.**  
**(An Exploration Stage Company)**  
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**Years Ended October 31, 2009 and 2008**

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**13. COMMITMENTS**

The Company has leased office space from October 1, 2008 to September 30, 2013. The minimum lease commitment payments are due as follows:

<b>Year</b>	<b>Amount</b>
2010	\$ 49,400
2011	49,400
2012	51,500
2013	51,500
	<b>\$201,800</b>

**14. CAPITAL DISCLOSURES**

The Company is an exploration stage company and this involves a high degree of risk. The Company has not determined whether its properties contain economically recoverable reserves of ore and currently has not earned any revenues from its mineral property interests and, therefore, does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of capital stock. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company defines its capital as capital stock. Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company's capital management objective is to maximize investment returns to its equity-linked stakeholders within the context of relevant opportunities and risks associated with the Company's operating segment. Achieving this objective requires management to consider the underlying nature of exploration activities, availability of capital, the cost of various capital alternatives and other factors. Establishing and adjusting capital requirements is a continuous management process.

Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this financing due to the current difficult economic condition. The Company believes that it has sufficient funds and additional receivables to fund its working capital for the coming year.

## **15. SUBSEQUENT EVENTS**

In addition to those subsequent events disclosed elsewhere in these financial statements:

- (a) On December 30, 2009, the Company entered into an option agreement with Carlos Roberto Handal Linares and Maria Concepcion Luna Luna to acquire a 100% interest in 383 hectares of mineral concessions in Zacatecas, Mexico, in consideration for US\$1,000,000 in cash payments as follows:
- US\$10,000 upon signing the agreement (paid);
  - US\$20,000 on or before June 31, 2010;
  - US\$30,000 on or before December 30, 2010;
  - US\$50,000 on or before June 30, 2011;
  - US\$50,000 on or before December 30, 2011;
  - US\$75,000 on or before June 30, 2012;
  - US\$100,000 on or before December 30, 2012;
  - US\$200,000 on or before June 30, 2013; and
  - US\$465,000 on or before December 30, 2013.

The underlying Optionor has retained a 2% NSR royalty that can be purchased by the Company for US\$1,000,000.

- (b) The Company completed three tranches of a private placement, first for 2,565,000 units, the second for 5,250,000 units and the third for 850,000 units, for a total of 8,665,000 units at a price of \$0.06 per unit for gross proceeds of \$519,900. Each unit consists of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to acquire one additional common share at a price of \$0.10 on or before December 18, 2010 for the first tranche, January 23, 2011 for the second tranche and February 2, 2011 for the third tranche. The Company paid a total finder's fee of \$47,190 in cash for all the tranches and issued an additional 752,500 agent's warrants in total for all three tranches, with each agent's warrant entitling the holder to acquire one common share at a price of \$0.10 on or before December 18, 2010 for the first tranche, January 23, 2011 for the second tranche and February 2, 2011 for the third tranche.
- (c) On November 6, 2009, the Company granted incentive stock options to a consultant of the Company to acquire up to 500,000 common shares at an exercise price of \$0.10 per share on or before November 6, 2012.
- (d) On January 14, 2010, 1,500,000 warrants, expiring on August 20, 2010, were exercised for cash proceeds of \$105,000.
- (e) On February 5, 2010, the Company applied for de-registration of Sable Minerals PTY Ltd., a subsidiary of the Company, which is incorporated under the laws of the Republic of Namibia.