

YALE RESOURCES LTD.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2011 AND 2010

<u>Index</u>	<u>Page</u>
Management's Responsibility for Financial Reporting	1
Auditors' Report to the Shareholders	2
Consolidated Financial Statements	
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Comprehensive Loss	4
Consolidated Statements of Shareholders' Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7 – 31

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 consolidated 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 28, 2012

AUDITORS' REPORT

TO THE SHAREHOLDERS OF YALE RESOURCES LTD.

(An Exploration Stage Company)

We have audited the accompanying consolidated financial statements of Yale Resources Ltd. (an exploration stage company), which comprise the consolidated balance sheets as at October 31, 2011 and 2010, and the consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Yale Resources Ltd. as at October 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our report, we draw attention to note 1 in the consolidated financial statements, which indicates that the Company has experienced significant recurring operating losses and as at October 31, 2011 has an accumulated deficit of \$12,959,363. These conditions, along with other matters set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
February 28, 2012

YALE RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Balance Sheets
As at October 31

	2011	2010
Assets		
Current		
Cash	\$ 103,640	\$ 171,318
Marketable securities (note 4)	230,505	247,467
Amounts receivable	38,791	83,748
Prepaid expenses and advances	3,099	4,500
	376,035	507,033
Amounts Receivable	40,967	58,762
Prepaid Expenses	19,050	19,050
Investment in Oil and Gas Interests (note 5)	23,611	33,611
Equipment (note 6)	33,759	14,644
Mineral Property Interests (note 7)	1,971,772	2,966,099
	\$ 2,465,194	\$ 3,599,199
Liabilities		
Current		
Accounts payable and accrued liabilities (note 10)	\$ 113,877	\$ 317,527
Exploration advances	107,547	31,628
	221,424	349,155
Shareholders' Equity		
Capital Stock (note 9)	14,066,703	13,142,253
Contributed Surplus	1,319,401	1,125,551
Accumulated Other Comprehensive Loss	(182,971)	(66,621)
Deficit	(12,959,363)	(10,951,139)
	2,243,770	3,250,044
	\$ 2,465,194	\$ 3,599,199

Commitments (note 12)
Subsequent Events (note 14)

Approved by the Board:

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

"David Hall" (signed)
..... Director

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

	2011	2010
Revenues		
Interest and miscellaneous	\$ 25,907	\$ 27,319
Oil and gas revenue, net (note 5)	17,504	13,499
	43,411	40,818
Operating Expenses		
Stock-based compensation (note 9(f))	193,850	42,250
Consultants' fees (note 10(a))	103,000	143,571
Accounting, audit and legal	84,047	63,344
Management fees (notes 10(b))	78,000	60,000
Office and miscellaneous (note 10(c))	40,902	46,189
Rent	37,086	41,271
Investor relations and promotion	31,191	116,502
Property examination costs	20,092	1,431
Amortization and depletion	18,468	11,842
Regulatory fees	17,700	24,053
Transfer agent and listing fees	8,813	10,500
Travel	6,370	16,150
Telephone	5,056	5,385
	644,575	582,488
Loss Before Other Items	601,164	541,670
Other Items		
Write-down/off of mineral property interests (note 7)	1,390,542	160,091
Exploration recoveries (note 7)	(78,283)	(284,081)
Foreign exchange loss	16,185	474
Loss (gain) on sale of marketable securities	(38,408)	34,369
Impairment loss on marketable securities (note 4)	117,024	0
Net Loss for Year	2,008,224	452,523
Items of Comprehensive Loss		
Unrealized loss on marketable securities	154,269	68,121
Transfer on sale of marketable securities	(10,080)	0
Transfer on impairment of marketable securities	(27,839)	0
Other Comprehensive Loss	116,350	68,121
Comprehensive Loss for Year	\$ 2,124,574	\$ 520,644
Loss Per Share, Basic and Diluted	\$ 0.03	\$ 0.01
Weighted Average Number of Common Shares Outstanding	78,949,440	64,951,057

See notes to consolidated financial statements.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Statements of Shareholders' Equity
Years Ended October 31, 2011 and 2010

	Number of Common Shares	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity
Balance – October 31, 2009	57,099,656	\$ 12,358,443	\$ 1,055,801	\$ 1,500	\$ (10,498,616)	\$ 2,917,128
Net loss for year	0	0	0	0	(452,523)	(452,523)
Items of comprehensive loss	0	0	0	(68,121)	0	(68,121)
Common shares issued for cash						
Private placement	8,665,000	431,810	27,500	0	0	459,310
Exercise of warrants	1,500,000	105,000	0	0	0	105,000
Common shares issued for mineral property interests	4,150,000	247,000	0	0	0	247,000
Stock-based compensation	0	0	42,250	0	0	42,250
Balance – October 31, 2010	71,414,656	13,142,253	1,125,551	(66,621)	(10,951,139)	3,250,044
Net loss for year	0	0	0	0	(2,008,224)	(2,008,224)
Items of comprehensive loss	0	0	0	(116,350)	0	(116,350)
Common shares issued for cash						
Exercise of warrants	6,024,500	602,450	0	0	0	602,450
Common shares issued for mineral property interests	3,400,000	322,000	0	0	0	322,000
Stock-based compensation	0	0	193,850	0	0	193,850
Balance – October 31, 2011	80,839,156	\$ 14,066,703	\$ 1,319,401	\$ (182,971)	\$ (12,959,363)	\$ 2,243,770

See notes to consolidated financial statements.

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

	2011	2010
Operating Activities		
Net loss for year	\$ (2,008,224)	\$ (452,523)
Items not affecting cash		
Amortization and depletion	18,468	11,842
Stock-based compensation	193,850	42,250
Marketable securities included in exploration recoveries	(45,933)	(259,521)
Unrealized foreign exchange loss	7,456	3,776
Write-down/off of mineral property interests	1,390,542	160,091
Loss (gain) on sale of marketable securities	(38,408)	34,369
Impairment loss on marketable securities	117,024	0
	(365,225)	(459,716)
Changes in non-cash working capital		
Amounts receivable	55,436	2,809
Prepaid expenses and advances	1,401	66,737
Accounts payable and accrued liabilities	(22,224)	(28,185)
	34,613	41,361
Cash Used in Operating Activities	(330,612)	(418,355)
Investing Activities		
Purchase of equipment	(27,583)	(5,123)
Investment in oil and gas interests	0	(8,742)
Expenditures on mineral property interests	(460,644)	(67,791)
Proceeds on sale of marketable securities	76,368	17,639
Cash Used in Investing Activities	(411,859)	(64,017)
Financing Activities		
Exploration advances	78,159	31,241
Proceeds from issuance of common shares, net of share issue costs	602,450	564,310
Cash Provided by Financing Activities	680,609	595,551
Foreign Exchange Effect on Cash	(5,816)	(2,145)
Increase (Decrease) in Cash	(67,678)	111,034
Cash, Beginning of Year	171,318	60,284
Cash, End of Year	\$ 103,640	\$ 171,318
Supplemental Cash Flow Information, Non-Cash Transactions		
Common shares issued for mineral property interests	\$ 322,000	\$ 247,000
Marketable securities received for mineral property interests	\$ 208,400	\$ 92,575
Marketable securities included in exploration recoveries	\$ 45,933	\$ 259,521
Expenditures on mineral property interests included in accounts payable	\$ 56,087	\$ 234,116
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, 2011 and 2010

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 subsidiary are engaged in the acquisition and exploration of mineral properties located in Mexico.

These consolidated 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, 2011, the Company had cash of \$103,640 (2010 - \$171,318); working capital of \$154,611 (2010 - \$157,878) and an accumulated deficit of \$12,959,363 (2010 - \$10,951,139). The Company has ongoing requirements for capital investment for its mineral property interests. The Company will need to raise substantial additional capital to accomplish its business plan over the next several years. The Company will need additional funding through equity financing. There can be no assurance as to the availability or terms upon which such financing might be available.

These consolidated 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 subsidiary, 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.

The functional and reporting currency of the Company is the Canadian dollar.

(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, 2011 and 2010

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 stated at cost less accumulated amortization. Amortization is recorded on a declining basis at the following annual rates:

Vehicles	30%
Office equipment	10%
Computer software and equipment	45%

(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.

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) Future 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 enacted. 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 interests is recognized as earned.

(i) Use of estimates

The preparation of consolidated 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 consolidated 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 and valuation of warrants, 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

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 assets or assumption of the liabilities; and
- (iii) Revenues and expenses, at the average exchange rate for each month.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended October 31, 2011 and 2010

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 consolidated 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 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, 2011, 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 either 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 de-recognized.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial instruments (Continued)

The fair value of 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, unless the investment is considered impaired.

The Company provides information about the reliability of inputs used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

These disclosures are not required when the carrying amount is a reasonable approximation of the fair value.

(o) Exploration advances

The Company receives funds in advance of doing contractual exploration work. The Company transfers the advances to mineral property interests as work is completed.

(p) Future accounting change

International Financial Reporting Standards ("IFRS")

In 2008, the Canadian Accounting Standards Board 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 October 31, 2012 interim consolidated financial statements. The effective date may require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended October 31, 2011.

3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial instruments are classified as follows:

- Cash – as held-for-trading;
- Amounts receivable – as loans and receivables;
- Marketable securities – as available-for-sale; and
- Accounts payable and accrued liabilities and exploration advances – as other financial liabilities.

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

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended October 31, 2011 and 2010

3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

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

2011	Level 1	Level 2	Level 3	Total
Marketable securities	\$ 30,625	\$ 0	\$ 0	\$ 30,625

2010	Level 1	Level 2	Level 3	Total
Marketable securities	\$ 247,467	\$ 0	\$ 0	\$ 247,467

Level one includes quoted prices in active markets for identical assets and liabilities and the tables above only include marketable securities that have been recorded at quoted market prices.

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

(a) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's financial instrument that is subject to credit risk is cash. The Company protects its cash from undue risk by holding it with various high credit quality financial institutions located in Canada and Mexico.

The Company's concentration of credit risk and maximum exposure thereto at October 31, 2011 and 2010 was as follows:

	2011	2010
Bank accounts – Canada	\$ 80,452	\$ 129,115
Bank accounts – Mexico	23,188	42,203
	\$ 103,640	\$ 171,318

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to satisfy 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 of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms. The Company does not have any derivative financial liabilities.

At October 31, 2011, the Company has neither credit facilities nor debts other than accounts payable and accrued liabilities of \$113,877 (2010 - \$317,527) and exploration advances of \$107,547 (2010 - \$31,628). The Company meets its obligations by maintaining an adequate supply of cash on hand. At October 31, 2011, the cash balance is insufficient to discharge the Company's liabilities and meet the Company's cash requirements for its administrative overheads, maintaining its mineral property interests and continuing with its exploration program for the coming year. In past years, the Company has relied on its ability to raise additional financing through the sale of common shares in order to finance its operations.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended October 31, 2011 and 2010

3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(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

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. 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, 2011.

(ii) Foreign currency risk

The Company is primarily exposed to currency fluctuations related to cash balances held in United States dollars ("USD" or "US\$") and Mexican pesos ("pesos" or "MX"), receivables held in pesos, and payables and exploration advances in pesos. The Company has net assets of \$209,638 (2010 – net assets of \$379,310) denominated in USD and net assets of \$97,923 (2010 - net liabilities of \$48,353) denominated in pesos at October 31, 2011. Fluctuations in the exchange rates between the Canadian dollar and pesos and Canadian dollar and USD 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. For the year ended October 31, 2011, the Company's sensitivity analysis suggests that a change in the absolute rate of exchange in USD by 8% will increase or decrease net loss by approximately \$17,000, and a change in the absolute rate of exchange in pesos by 5% will increase or decrease net loss by approximately \$8,000. For the year ended October 31, 2010, the Company's sensitivity analysis suggests that a change in the absolute rate of exchange in USD by 8% will increase or decrease net loss and comprehensive loss by \$30,000, and a change in the absolute rate of exchange in pesos by 5% will not have a material effect on the Company's business, financial condition and results of operations.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk with respect to its marketable securities. The sensitivity analysis of the Company's exposure to other price risk at the reporting date has been determined based upon hypothetical changes taking place at October 31, 2011 and 2010, comprised of a hypothetical change in the market value of marketable securities of 10%, which would increase or decrease other comprehensive loss by approximately \$3,000.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended October 31, 2011 and 2010

4. MARKETABLE SECURITIES

The Company holds marketable securities that are restricted, held in escrow and free-trading. All marketable securities subject to restriction and with escrow terms of less than one year from the balance sheet dates are included in current assets.

	2011		2010	
	Number of Shares	Fair Value	Number of Shares	Fair Value
Silver Sun Resource Corp. – free trading	30,000	\$ 11,550	90,000	\$ 4,462
Silver Sun Resource Corp. – escrow	30,000	2,460	310,000	15,500
Del Toro Silver Corp. – restricted	600,000	23,024	350,000	64,273
Gold American Mining Corp. – free trading	300,000	19,075	200,000	163,232
Sonora Resources Corp. – restricted	400,000	174,396	0	0
	1,360,000	\$ 230,505	950,000	\$ 247,467

Certain available-for-sale securities at fair value have incurred a decline in value that is considered “other-than-temporary”. Accordingly, the impairment of \$117,024 has been removed from accumulated other comprehensive income and recognized in the consolidated statements of operations.

5. INVESTMENT IN OIL AND GAS INTERESTS

During the year ended October 31, 2006, the Company acquired a 2.78% (one-half unit) interest in an oil and gas joint venture for cash consideration of \$52,598. The joint venture has an interest in two producing oil and gas wells located in Texas and Louisiana, United States. During the year ended October 31, 2011, the Company did not contribute any additional funds to the joint venture (2010 - \$8,742).

6. EQUIPMENT

	2011		
	Cost	Accumulated Amortization	Net Book Value
Vehicles	\$ 14,472	\$ 2,171	\$ 12,301
Office equipment	31,930	20,697	11,233
Computer software and equipment	20,295	10,070	10,225
	\$ 66,697	\$ 32,938	\$ 33,759

	2010		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 30,216	\$ 18,103	\$ 12,113
Computer equipment	8,897	6,366	2,531
	\$ 39,113	\$ 24,469	\$ 14,644

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended October 31, 2011 and 2010

7. MINERAL PROPERTY INTERESTS

At October 31, 2011, deferred acquisition and exploration expenditures incurred are as follows:

	Urique	Carol-Balde	La Verde	Dos Naciones	Oro Fino	Los Amoles	Tenoriba	Guadalupe	Apache	Total
Balance, October 31, 2010	\$ 1,115,115	\$ 188,213	\$ 1,092,177	\$ 1	\$ 305,508	\$ 210,348	\$ 54,736	\$ 1	\$ 0	\$2,966,099
Additions during the year										
Acquisition costs	0	0	0	0	119,775	7,788	0	31,369	262,500	421,432
Assay	0	0	0	1,091	9,812	6,124	1,779	0	7,263	26,069
Camp and exploration support	26,556	12,284	16,049	14,912	13,179	13,146	13,540	0	1,478	111,144
Geological consulting	7,654	410	0	2,015	1,983	87,053	0	0	6,799	105,914
Geological fieldwork	658	3,324	16	1,688	1,167	986	355	0	253	8,447
Materials and supplies	0	0	119	620	72	3,266	0	0	669	4,746
Taxes	119,702	4,417	19,557	11,513	21,482	16,070	12,626	0	166	205,533
Travel	0	6,469	131	2,165	169	9,067	3,748	0	837	22,586
Total costs during year	154,570	26,904	35,872	34,004	167,639	143,500	32,048	31,369	279,965	905,871
Recoveries	(25,000)	(60,000)	0	(34,004)	(10,000)	(349,283)	0	(31,369)	0	(509,656)
Net additions during year	129,570	(33,096)	35,872	0	157,639	(205,783)	32,048	0	279,965	396,215
	1,244,685	155,117	1,128,049	1	463,147	4,565	86,784	1	279,965	3,362,314
Mineral interests written down	0	0	(1,128,048)	0	(175,710)	0	(86,784)	0	0	(1,390,542)
Balance, October 31, 2011	\$ 1,244,685	\$ 155,117	\$ 1	\$ 1	\$ 287,437	\$ 4,565	\$ 0	\$ 1	\$ 279,965	\$1,971,772

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended October 31, 2011 and 2010

7. MINERAL PROPERTY INTERESTS (Continued)

At October 31, 2010, deferred acquisition and exploration expenditures incurred are as follows:

	Urique	Carol-Balde	Zacatecas	La Verde	Dos Naciones	Oro Fino	Los Amoles	Tenoriba	Guadalupe	Other Properties	Total
Balance, October 31, 2009	\$ 1,308,691	\$ 236,553	\$ 35,510	\$ 1,051,688	\$ 15,479	\$ 94,134	\$ 0	\$ 0	\$ 0	\$ 7,121	\$2,749,176
Additions during the year											
Acquisition costs	0	0	0	12,500	0	122,189	220,000	50,885	10,944	0	416,518
Assay	1,747	1,229	0	0	0	5,764	0	443	0	0	9,183
Camp and exploration support	9,862	14,136	5,655	15,824	2,473	16,787	3,503	61	9,500	0	77,801
Geophysical consulting	0	0	0	0	0	0	10,454	0	0	0	10,454
Geological consulting	0	295	0	0	1,739	39,711	0	2,751	0	0	44,496
Geological fieldwork	125	663	647	0	0	5,229	61	0	0	1,191	7,916
Materials and supplies	93	561	0	1,157	1,412	1,739	585	0	0	0	5,547
Reports, drafting and maps	0	0	1,784	0	0	0	0	0	0	0	1,784
Taxes	767	0	0	10,778	0	14,439	0	596	0	0	26,580
Travel	470	751	0	230	703	5,516	927	0	0	0	8,597
Total costs during year	13,064	17,635	8,086	40,489	6,327	211,374	235,530	54,736	20,444	1,191	608,876
Recoveries	(95,128)	(28,332)	(40,972)	0	(21,805)	0	(25,182)	0	(20,443)	0	(231,862)
Net additions during year	(82,064)	(10,697)	(32,886)	40,489	(15,478)	211,374	210,348	54,736	1	1,191	377,014
Mineral interests written down	1,226,627	225,856	2,624	1,092,177	1	305,508	210,348	54,736	1	8,312	3,126,190
	(111,512)	(37,643)	(2,624)	0	0	0	0	0	0	(8,312)	(160,091)
Balance, October 31, 2010	\$ 1,115,115	\$ 188,213	\$ 0	\$ 1,092,177	\$ 1	\$305,508	\$ 210,348	\$ 54,736	\$ 1	\$ 0	\$2,966,099

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended October 31, 2011 and 2010

7. MINERAL PROPERTY INTERESTS (Continued)

(a) Urique Property, Mexico

On August 1, 2006, the Company entered into an option agreement with Exmin Resources Ltd. (“Exmin”) to acquire, in two stages, up to a 75% interest in 10 mineral concessions in Chihuahua, Mexico. On April 6, 2009, the Company renegotiated the remaining commitments and acquired 100% of these concessions by paying US\$250,000 (paid) issuing 1,000,000 common shares (issued), and taking responsibility for accounts payable of US\$148,000 arising from the optionor’s past expenditures on the project.

Exmin retains a 2% net smelter returns (“NSR”) royalty on these concessions.

By a second agreement dated April 6, 2009, the Company entered into an option agreement to acquire a 100% interest in the eleventh concession in the Urique Property by paying US\$140,000 (US\$28,000 paid); however, during the year ended October 31, 2010, the Company decided to cancel the eleventh concession and, accordingly, \$111,512 in accumulated capitalized exploration expenditures were written off.

On 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 was required to give the Company sufficient funds required to keep the property in good standing, pay the Company US\$800,000 (US\$50,000 received), incur or fund expenditures totaling US\$2,600,000 (US\$250,000 received), and pay the Company an additional US\$360,000 or issue the equivalent value in shares of AMNP (US\$100,000 and 100,000 shares of AMNP at a deemed value of US\$43,000 received).

To earn the remaining 10%, AMNP was required to issue 500,000 shares to the Company, complete sufficient drilling to support a resource estimate 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.

During the year ended October 31, 2010, the Company terminated the option agreement with AMNP for the Urique Property for failure by AMNP to fulfill certain financial obligations as outlined in the agreement.

On September 8, 2011, the Company entered into an agreement with Mammoth Capital Corp. (“Mammoth”) to allow Mammoth to acquire a 100% interest in the project.

To earn the first 70%, Mammoth must pay the Company \$50,000, issue 1,700,000 shares, and spend \$3,000,000 in exploration over four years.

Cash payments totaling \$50,000 as follows:

- \$25,000 upon signing (received); and
- \$25,000 upon acceptance by the TSX Venture Exchange (subsequently received).

Issuance of 1,700,000 shares as follows:

- 100,000 shares upon acceptance by the TSX Venture Exchange (subsequently received);
- 100,000 shares on or before July 23, 2012;
- 300,000 shares on or before December 23, 2012;
- 400,000 shares on or before December 23, 2013;
- 400,000 shares on or before December 23, 2014; and
- 400,000 shares on or before December 23, 2015.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended October 31, 2011 and 2010

7. MINERAL PROPERTY INTERESTS (Continued)

(a) Urique Property, Mexico (Continued)

Exploration expenditures totaling \$3,000,000 as follows:

- \$300,000 on or before September 8, 2012;
- \$500,000 on or before September 8, 2013;
- \$800,000 on or before September 8, 2014; and
- \$1,400,000 on or before September 8, 2015.

To earn the remaining 30%, Mammoth must issue another 500,000 shares, complete a resource estimation showing a minimum of 300,000 equivalent ounces of gold in the measured and indicated categories, and issue one further share for each equivalent ounce of gold shown in the resource estimation.

(b) Carol-Balde Property, Mexico

On September 25, 2006, the Company entered into an assignment of option agreement with Minera Canamex SA de CV, to acquire a 100% interest in the mineral claims. 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).

During the year ended October 31, 2010, the Company signed a letter of intent (“LOI”) with AMNP for the Carol-Balde property. Pursuant to the LOI, AMNP could have earned 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 the definitive agreement, and by spending \$300,000 in mineral property expenditures and issuing 500,000 common shares. During the year ended October 31, 2010, AMNP notified the Company that they would not be signing a definitive agreement for this mineral property with the Company.

During the year ended October 31, 2010, the Company cancelled one of the six concessions at the Carol-Balde Property and, accordingly, \$37,643 in accumulated capitalized exploration expenditures were written off.

On February 18, 2011, the Company signed an agreement with El Condor Minerals Inc. (“El Condor”) for the option to earn a 70% interest in the Carol-Balde Property. El Condor will be required to pay the Company \$350,000 cash and spend \$1,700,000 on exploration over four years. The exploration expenditure required in the first year is \$200,000 with \$100,000 considered as a firm commitment.

Cash payments totaling \$350,000 as follows:

- \$25,000 upon acceptance of the LOI (received);
- \$25,000 upon signing of the option agreement (received);
- \$50,000 within six months of signing the option agreement;
- \$50,000 within 12 months of signing the option agreement;
- \$50,000 within 24 months of signing the option agreement;
- \$50,000 within 36 months of signing the option agreement; and
- \$100,000 within 48 months of signing the option agreement.

Exploration expenditures totaling \$1,700,000 as follows:

- \$100,000 within six months of signing the option agreement;
- \$100,000 within 12 months of signing the option agreement;
- \$350,000 within 24 months of signing the option agreement;
- \$500,000 within 36 months of signing the option agreement; and
- \$650,000 within 48 months of signing the option agreement.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended October 31, 2011 and 2010

7. MINERAL PROPERTY INTERESTS (Continued)

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

El Condor will be designated as the operator of the project.

On August 18, 2011, the Company granted a two-month extension on the \$50,000 payment above at 7(b)(iii) for consideration of \$10,000 (received).

Subsequent to October 31, 2011, the option agreement with El Condor was terminated by the Company.

(c) La Verde 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 (US\$300,000 paid). 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 November 21, 2008, the Company renegotiated the overall agreement with the Optionor to modify all remaining commitments to cash payments totaling US\$1,305,000 (US\$40,000 paid) in exchange for a more flexible payment schedule.

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

- NI 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.

To date, the Company has not met its commitment to pay a total of \$1,270,000 above to December 1, 2011. The Company is currently in negotiations with the Optionor to amend the current agreement, and the outcome of those negotiations is unknown at this time. As such, the Company wrote off \$1,128,048 relating to La Verde during the year ended October 31, 2011.

By an agreement dated February 11, 2008, the Company acquired an option to acquire a 100% interest in the La Cobriza property, an additional 293 hectares within the La Verde Property, in consideration for the following:

Cash payments totaling \$50,000 as follows:

- \$10,000 on signing of a letter of intent (paid); and
- \$40,000 on regulatory approval (paid).

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 (issued).

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended October 31, 2011 and 2010

7. MINERAL PROPERTY INTERESTS (Continued)

(d) Oro Fino Property, Mexico

The Company entered into an assignment of option agreement on nine concessions dated July 24, 2009. Under the terms of the option agreement, the Company could acquire a 100% interest for cash payments totaling \$200,000 (\$40,000 paid), issuing 1,000,000 common shares (300,000 issued), and paying taxes totaling MX\$114,232 (paid). The Company paid an additional \$10,000 for the extension of one payment.

By an amendment agreement dated April 18, 2011, the Company renegotiated the overall commitment and acquired the claims in consideration for 700,000 shares of the Company (issued).

The Company entered into an assignment of option agreement on an additional five concessions with various title holders in the 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 (amended to \$50,000 on or before December 15, 2010 (paid) for consideration of \$10,000 (paid));
- US\$50,000 on or before October 1, 2010 (paid);
- 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.

During the year ended October 31, 2011, the Company abandoned these five concessions, and accordingly, \$175,710 was written off.

The Company entered into an assignment of option agreement dated September 24, 2009 on an additional two concessions in the Oro Fino region. The Company subsequently amended the payment schedule, and under the terms of the revised 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 (paid);
- \$15,000 on or before July 9, 2010 (paid);
- \$15,000 on or before November 25, 2011 (subsequently paid);
- \$20,000 on or before May 25, 2012;
- \$20,000 on or before November 25, 2012;
- \$40,000 on or before May 25, 2013; and
- \$80,000 on or before October 25, 2013.

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

- 100,000 common shares on or before January 9, 2010 (issued);
- 100,000 common shares on or before May 24, 2010 (issued);
- 100,000 common shares on or before July 9, 2010 (issued);
- 100,000 common shares on or before January 9, 2011 (issued);
- 100,000 common shares on or before July 9, 2011 (issued);
- 100,000 common shares on or before January 9, 2012; and
- 400,000 common shares on or before March 25, 2013.

On October 18, 2011, the Company entered into an agreement with Overlord Capital Ltd. ("Overlord") to allow Overlord to acquire a 70% interest in the project.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended October 31, 2011 and 2010

7. MINERAL PROPERTY INTERESTS (Continued)

(d) Oro Fino Property, Mexico (Continued)

To earn the first 60%, Overlord must pay the Company \$100,000, issue 1,050,000 shares and spend \$1,350,000 in exploration over three years.

Cash payments totaling \$100,000 as follows:

- \$50,000 upon signing acceptance by the TSX Venture Exchange (the effective date); and
- \$50,000 on or before the two year anniversary of the effective date.

Issuance of 1,050,000 shares as follows:

- 50,000 shares upon acceptance by the TSX Venture Exchange (the effective date);
- 500,000 shares on or before the 12 month anniversary of the effective date;
- 150,000 shares on or before the 24 month anniversary of the effective date; and
- 350,000 shares on or before the 36 month anniversary of the effective date.

Exploration expenditures totaling \$1,350,000 as follows:

- \$50,000 on or before the six month anniversary of the effective date;
- \$150,000 on or before the 12 month anniversary of the effective date;
- \$400,000 on or before the 24 month anniversary of the effective date; and
- \$750,000 on or before the 36 month anniversary of the effective date.

Overlord can earn the remaining 10% by issuing an additional 250,000 shares and incurring an additional \$750,000 in exploration expenditures on or before the four-year anniversary of the effective date.

(e) Los Amoles

By an agreement entered into during April 2010, the Company acquired a 100% interest in 1,630 hectares in Sonora State, Mexico, by issuing 3,500,000 shares (issued) and making a payment of \$10,000 (paid).

On November 26, 2010, the Company signed an agreement with Sonora Resources Corp. ("Sonora") to allow Sonora to earn a 70% interest in the Los Amoles Property.

To earn a 70% interest in the Los Amoles property, Sonora will be required to spend US\$900,000 on exploration expenditures and issue a total of 1,000,000 common shares to the Company over three years. The exploration expenditure required in the first year is \$200,000 with \$100,000 being a firm commitment having to be spent within the first six months.

Cash payments totaling US\$50,000 as follows:

- US\$25,000 upon the signing of the LOI dated October 4, 2010 (received); and
- US\$25,000 upon signing of this agreement (received).

Exploration expenditures totaling US\$900,000 as follows:

- US\$200,000 on or before the first anniversary of the effective date (incurred);
- US\$300,000 on or before the second anniversary of the effective date; and
- US\$400,000 on or before the third anniversary of the effective date.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended October 31, 2011 and 2010

7. MINERAL PROPERTY INTERESTS (Continued)

(e) Los Amoles (Continued)

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

- 200,000 common shares on signing of this agreement (received);
- 200,000 common shares within six months of the effective date (received);
- 200,000 common shares by the first anniversary of the effective date (subsequently received);
- 200,000 common shares by the second anniversary of the effective date; and
- 200,000 common shares by the third anniversary of the effective date.

During the current year, the Company acquired, by staking, an additional 1,960 hectares of land contiguous to its Los Amoles Property.

(f) Tenoriba

By an agreement entered into on July 26, 2010, the Company acquired a 100% interest in the 8,160 hectare Tenoriba Project located in the Sierra Madre Golde Silver Belt in the state of Chihuahua, Mexico, for the consideration of:

Cash payments totaling US\$2,000,000 as follows:

- US\$50,000 at the time of signing of the agreement (paid);
- US\$125,000 on or before July 26, 2011;
- US\$300,000 on or before July 26, 2012;
- US\$500,000 on or before July 26, 2013; and
- US\$1,025,000 on or before July 26, 2014.

During the year ended October 31, 2011, the Company abandoned this project and, accordingly, \$86,784 was written off.

(g) Guadalupe

On December 30, 2009, the Company entered into an option agreement 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 30, 2010 (paid);
- US\$30,000 on or before December 30, 2010 (paid);
- 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.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended October 31, 2011 and 2010

7. MINERAL PROPERTY INTERESTS (Continued)

(g) Guadalupe (Continued)

On March 5, 2010, the Company signed a LOI with Gold American Mining Corp. ("Gold American") to allow Gold American to acquire a 90% interest in the property. The consideration for acquiring the option include an assumption of all the option payments to be made by the Company to the original option owners and:

Cash payments totaling US\$900,000 as follows:

- US\$10,000 upon signing (received);
- US\$10,000 on signing of a definitive agreement (received);
- US\$20,000 on or before June 30, 2010 (received);
- US\$30,000 on or before December 30, 2010 (received);
- 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\$355,000 on or before December 30, 2013.

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

- 100,000 common shares upon signing of a definitive agreement (received);
- 100,000 common shares upon or before June 30, 2010 (received);
- 100,000 common shares upon or before December 30, 2010 (received);
- 100,000 common shares upon or before June 30, 2011*;
- 100,000 common shares upon or before December 30, 2011*;
- 100,000 common shares upon or before June 30, 2012;
- 100,000 common shares upon or before December 30, 2012;
- 100,000 common shares upon or before June 30, 2013; and
- 200,000 common shares upon or before December 30, 2013.

*Agreement requirements have been halted until the underlying Optionor settles a title dispute.

Incurring exploration expenditures totaling US\$2,000,000 as follows:

- US\$400,000 on or before June 30, 2011;
- US\$700,000 on or before December 30, 2012; and
- US\$900,000 on or before December 30, 2013.

Recoveries in excess of property expenditures in the amount of \$30,492 for the year ended October 31, 2011 (2010 - \$213,775) have been included as exploration recoveries in the consolidated statements of operations.

(h) 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 and amended June 25, 2010, the Company granted an option to Del Toro (formerly Candev Resource Explorations Inc.) to earn up to 80% of its Dos Naciones Property.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended October 31, 2011 and 2010

7. MINERAL PROPERTY INTERESTS (Continued)

(h) Dos Naciones Property, Mexico (Continued)

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 700,000 common shares to the Company as follows:

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

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

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

During the year ended October 31, 2010, the Company renegotiated the above amended agreement where Del Toro can earn an additional 20% interest instead of 30% interest as agreed in the original agreement in consideration of 250,000 shares of Del Toro (received) and 400,000 shares of Del Toro on or before July 7, 2012, and to change the schedule of funding exploration expenditures total to \$800,000 on or before July 7, 2013. Del Toro's option to purchase its interest in the property for \$17,500 after July 7, 2012 was also terminated.

Recoveries in excess of property expenditures in the amount \$47,791 for the year ended October 31, 2011 (2010 - \$70,306) have been included as exploration recoveries in the consolidated statements of operations.

(i) Apache Property, Mexico

On December 13, 2010, the Company acquired the Apache Property, consisting of 400 hectares in Sonora State, Mexico, for consideration of 2,500,000 shares of the Company (issued).

(j) 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.

(k) 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.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended October 31, 2011 and 2010

7. MINERAL PROPERTY INTERESTS (Continued)

(k) 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.

(l) 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, 2011, the Company has non-capital losses of approximately \$5,216,000 and capital losses of \$37,000; \$3,696,000 of non-capital losses and all of the capital losses may be applied against future income for Canadian income tax purposes, and \$1,520,000 of non-capital losses 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 capital losses may be carried forward indefinitely. The non-capital losses expire as follows:

2014	\$	398,000
2015		250,000
2017		254,000
2018		735,000
2019		531,000
2026		420,000
2027		457,000
2028		598,000
2029		501,000
2030		546,000
2031		526,000
	\$	5,216,000

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended October 31, 2011 and 2010

8. INCOME TAXES (Continued)

Significant components of the Company's future tax assets and liabilities, which have been calculated after applying enacted corporate income tax rates, Canada at 26.83% (2010 - 25%) and Mexico at 30% (2010 - 28%), are as follows:

	2011	2010
Future income tax assets		
Tax value over book value of equipment	\$ 8,936	\$ 6,630
Tax value over book value of marketable securities	38,755	8,328
Tax value over book value of share issue costs	13,455	29,174
Tax value over book value of investment in oil and gas interests	6,315	10,130
Tax value over book value of licensing costs	55,473	55,473
Tax value over book value of mineral property interests	505,286	(17,713)
Losses carried forward	1,055,521	1,223,272
Valuation allowance	(1,683,741)	(1,315,294)
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:

	2011	2010
Income tax benefit computed at statutory rates	\$ 538,806	\$ 130,100
Changes resulting from timing differences	9,935	(12,710)
Other temporary differences incurred during the year	(186,773)	6,428
Effects of change in future tax rates	6,479	(2,189)
Change in valuation allowance	(368,447)	(121,629)
Future income tax expense	\$ 0	\$ 0

9. CAPITAL STOCK

Authorized

Unlimited number of common shares without par value

(a) Private placements

There were no private placements during the current year.

During the year ended October 31, 2010, the Company completed the following private placement:

The Company completed, through February 2010, 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 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 22, 2011 for the second tranche and February 2, 2011 for the third tranche. The Company paid a total finder's fee of \$60,590 in cash for all the tranches and issued 786,500 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 22, 2011 for the second tranche and February 2, 2011 for the third tranche. The fair value of these warrants was \$27,500.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended October 31, 2011 and 2010

9. CAPITAL STOCK (Continued)

(b) Warrants exercised for cash

During the year ended October 31, 2011, 6,024,500 (2010 - 1,500,000) warrants were exercised for gross proceeds of \$602,450 (2010 - \$105,000).

(c) Shares issued for mineral property interests

During the year ended October 31, 2011, the following property payments occurred:

- (i) On November 24, 2010, the Company issued 100,000 common shares valued at \$7,500 under the terms of the agreement to acquire the Oro Fino Property (note 7(d)).
- (ii) On December 15, 2010, the Company issued 2,500,000 common shares valued at \$262,500 under the terms of the agreement to acquire the Apache Property (note 7(i)).
- (iii) On January 21, 2011, the Company issued 100,000 common shares valued at \$10,000 under the terms of the agreement to acquire the Oro Fino Property (note 7(d)).
- (iv) On May 25, 2011, the Company issued 700,000 common shares valued at \$42,000 under the terms of the agreement to acquire the Oro Fino Property (note 7(d)).

During the year ended October 31, 2010, the following property payments occurred:

- (v) On December 16, 2009, the Company issued 200,000 common shares valued at \$11,000 under the terms of the agreement to acquire the Oro Fino Property (note 7(d)).
- (vi) On April 30, 2010, the Company issued 3,500,000 common shares valued at \$210,000 under the terms of the agreement to acquire the Los Amoles Property (note 7(e)).
- (vii) On April 30, 2010, the Company issued 250,000 common shares valued at \$12,500 under the terms of the agreement to acquire the La Verde Grande Property (note 7(c)).
- (viii) On May 27, 2010, the Company issued 100,000 common shares valued at \$7,000 under the terms of the agreement to acquire the Oro Fino Property (note 7(d)).
- (ix) On July 9, 2010, the Company issued 100,000 common shares valued at \$6,500 under the terms of the agreement to acquire the Oro Fino Property (note 7(d)).

(d) 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.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended October 31, 2011 and 2010

9. CAPITAL STOCK (Continued)

(d) Stock options (Continued)

A summary of the Company's stock options as at October 31, 2011 and 2010 and changes during the years then ended is as follows:

	2011		2010	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Opening balance	3,445,000	\$0.11	3,265,000	\$0.12
Granted	2,800,000	\$0.10	800,000	\$0.10
Cancelled	0	\$0.00	(540,000)	\$0.10
Expired	(150,000)	\$0.25	(80,000)	\$0.30
Ending balance	6,095,000	\$0.10	3,445,000	\$0.11

The weighted average remaining contractual life of outstanding stock options at October 31, 2011 is 1.53 years (2010 - 1.65 years).

Stock options outstanding and exercisable at October 31, 2011 and 2010 were as follows:

Expiry Date	Exercise Price	2011	2010
		Number of Options Exercisable and Outstanding	Number of Options Exercisable and Outstanding
November 1, 2010	\$0.25	0	150,000
November 26, 2011*	\$0.10	895,000	895,000
April 19, 2012	\$0.10	150,000	150,000
September 29, 2012	\$0.10	1,950,000	1,950,000
February 21, 2013	\$0.10	100,000	100,000
June 20, 2013	\$0.10	200,000	200,000
January 23, 2014	\$0.10	1,500,000	0
August 10, 2014	\$0.10	1,300,000	0
		6,095,000	3,445,000

*Expired unexercised subsequent to October 31, 2011.

(e) Share purchase warrants

As at October 31, 2011, the Company has share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding at October 31, 2010	Issued	Exercised	Expired	Outstanding at October 31, 2011
\$0.10	December 18, 2010	2,751,500	0	1,120,000	1,631,500	0
\$0.10	January 22, 2011	5,765,000	0	4,154,500	1,610,500	0
\$0.10	February 2, 2011	935,000	0	750,000	185,000	0
		9,451,500	0	6,024,500	3,427,000	0

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended October 31, 2011 and 2010

9. CAPITAL STOCK (Continued)

(e) Share purchase warrants (Continued)

As at October 31, 2010, the Company has share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding at October 31, 2009	Issued	Exercised	Expired	Outstanding at October 31, 2010
\$0.07	August 13, 2010	3,700,000	0	0	3,700,000	0
\$0.07	August 18, 2010	2,972,500	0	1,500,000	1,472,500	0
\$0.10	December 18, 2010	0	2,751,500	0	0	2,751,500
\$0.10	January 22, 2011	0	5,765,000	0	0	5,765,000
\$0.10	February 2, 2011	0	935,000	0	0	935,000
		6,672,500	9,451,500	1,500,000	5,172,500	9,451,500

(f) Stock-based compensation

During the year ended October 31, 2011, the Company granted stock options to acquire up to an aggregate of 2,800,000 (2010 - 800,000) common shares to directors, officers, employees and consultants.

The fair value of stock options granted and vested during the year in the amount of \$193,850 (2010 - \$42,250) would be allocated as expenses in the following expenditure categories:

	2011	2010
Consulting fees	\$ 34,636	\$ 37,710
Management fees	102,739	0
Office and miscellaneous	24,680	0
Salaries	16,795	0
Investor relations and promotion	15,000	4,540
	\$ 193,850	\$ 42,250

The fair value of stock options is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2011	2010
Risk-free interest rate	1.22%	1.43%
Expected dividend yield	0	0
Expected stock price volatility	157.99%	150.67%
Expected life in years	3.00	3.00

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended October 31, 2011 and 2010

9. CAPITAL STOCK (Continued)

(f) Stock-based compensation (Continued)

The fair value of the finder's warrants included in share issue costs is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2011	2010
Risk-free interest rate	N/A	0.30%
Expected dividend yield	N/A	0
Expected stock price volatility	N/A	162.14%
Expected life in years	N/A	1.00

10. RELATED PARTY TRANSACTIONS AND BALANCES

- (a) Consultants' fees of \$90,000 (2010 - \$72,000) were paid to a company controlled by the President of the Company. Amounts payable as at October 31, 2011 were \$Nil (2010 - \$13,440).
- (b) Management fees of \$78,000 (2010 - \$60,000) were paid to an officer of the Company.
- (c) Office service fees of \$24,000 (2010 - \$24,200) were paid to a corporation controlled by the Corporate Secretary of the Company. Amounts payable as at October 31, 2011 were \$Nil (2010 - \$2,240).

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. The Company's assets are geographically distributed as follows (oil and gas interests located in the United States and mineral property interests located in Mexico).

	2011	2010
Canada	\$ 355,710	\$ 407,730
United States	23,611	33,611
Mexico	2,085,873	3,157,858
	\$ 2,465,194	\$ 3,599,199

12. COMMITMENTS

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

Year	Amount
2012	\$ 51,500
2013	47,200
	\$ 98,700

13. 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 shareholders' equity. 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 conditions. The Company believes that it has sufficient funds and additional receivables to fund its working capital for the coming year.

14. SUBSEQUENT EVENTS

In addition to those subsequent events disclosed elsewhere in these consolidated financial statements, subsequent to October 31, 2011:

- (a) The Company terminated its option agreement with El Condor Resources Inc. on the Carol-Balde Property (note 7(b)), as certain financial milestones in the agreement were not met by El Condor.
- (b) The Company was issued 200,000 shares of Sonora Resources Corp. for its option of the Los Amoles Property in Mexico (note 7(e)).