

**YALE RESOURCES LTD.**  
**(An Explorations Stage Company)**

**Condensed Consolidated Interim Financial Statements**  
**For the Three Months ended January 31, 2012 and 2011**  
**Unaudited**

(Expressed in Canadian dollars)

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

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

**YALE RESOURCES LTD.**  
**Condensed Consolidated Interim Statements of Financial Position**  
**(Unaudited)**  
(Expressed in Canadian Dollars)

	January 31, 2012	October 31, 2011	November 1, 2010
		(note 3)	(note 3)
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents (Note 5)	\$ 57,143	\$ 103,640	\$ 171,318
Amounts receivable (Note 6)	20,347	38,791	83,748
Marketable securities (Note 7)	252,774	230,505	247,467
Prepaid expenses and advances	-	3,099	4,500
	<b>330,264</b>	<b>376,035</b>	<b>507,033</b>
<b>Non-current</b>			
Amounts receivable (Note 6)	40,967	40,967	58,762
Prepaid expenses	19,050	19,050	19,050
Investment in oil and gas interest (Note 8)	33,611	33,611	33,611
Property, plant and equipment (Note 9)	45,180	33,759	14,644
Mineral property interests (Note 10)	1,168,826	1,206,588	1,891,762
	<b>1,307,634</b>	<b>1,333,975</b>	<b>2,017,829</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,637,898</b>	<b>\$ 1,710,010</b>	<b>\$ 2,524,862</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities (Note 11)	\$ 126,273	\$ 113,877	\$ 317,527
Exploration advances	109,014	107,547	31,628
	<b>235,287</b>	<b>221,424</b>	<b>349,155</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital (Note 12)	14,066,703	14,066,703	13,142,253
Reserves	1,319,401	1,319,401	1,125,551
Accumulated deficit	(13,766,060)	(13,714,547)	(12,025,476)
Accumulated other comprehensive loss	(217,433)	(182,971)	(66,621)
	<b>1,402,611</b>	<b>1,488,586</b>	<b>2,175,707</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 1,637,898</b>	<b>\$ 1,700,010</b>	<b>\$ 2,524,862</b>

Approved by the Board:

*"Ian Foreman" (signed)*

..... Director

*"David Hall" (signed)*

..... Director



**YALE RESOURCES LTD.****Condensed Consolidated Interim Statements of Operations and Comprehensive Loss****(Unaudited)**

(Expressed in Canadian Dollars)

	<b>For the three months ended</b>	
	<b>January 31, 2012</b>	<b>January 31, 2011</b>
		(Note 3)
<b>Operating Expenses</b>		
Accounting, audit and legal	\$ 10,863	\$ 19,652
Consultants' fees	24,000	28,500
Depreciation	3,185	385
Exploration costs (Note 10)	7,408	71,018
Investor relations	7,648	8,319
Management fees	21,000	15,000
Office and miscellaneous	6,720	9,754
Regulatory fees	-	3,463
Rent	8,815	8,381
Share-based compensation (note 12(e))	-	128,850
Telephone	262	1,115
Transfer agent and listing fees	1,208	1,054
Travel	-	2,121
	<b>91,109</b>	<b>297,612</b>
<b>Other (Income) Expenses</b>		
Expense recoveries	-	(58,917)
Foreign exchange (gain) loss	(1,412)	3,928
Oil and gas income; net	(3,050)	(5,594)
Other income	(22,745)	(8)
Realized gain on sale of marketable securities	(12,389)	(48,487)
<b>Net Loss for the Period</b>	<b>51,513</b>	<b>188,534</b>
<b>Other Comprehensive Loss</b>		
Unrealized loss on marketable securities	22,614	136,587
Transfer on sale of marketable securities	11,848	(12,837)
	<b>34,462</b>	<b>123,750</b>
<b>Total Comprehensive Loss for the Period</b>	<b>\$ 88,975</b>	<b>\$ 312,284</b>
<b>Net Loss per Share; basic and diluted</b>	<b>\$ 0.001</b>	<b>\$ 0.003</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>80,839,156</b>	<b>74,180,227</b>

See notes to financial statements.

**YALE RESOURCES LTD.**

**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**

**(Unaudited)**

(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Reserves		Total	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
			Equity settled share-based payments	Warrants				
<b>Balance – October 31, 2011</b>	<b>80,839,156</b>	<b>\$ 14,066,703</b>	<b>\$ 1,033,902</b>	<b>\$ 285,499</b>	<b>\$ 1,319,401</b>	<b>\$ (13,714,547)</b>	<b>\$ (182,971)</b>	<b>\$ 1,488,586</b>
Net loss for the period	-	-	-	-	-	(51,513)	-	(51,513)
Items of other comprehensive loss	-	-	-	-	-	-	(34,462)	(34,462)
<b>Balance – January 31, 2012</b>	<b>80,839,156</b>	<b>\$ 14,066,703</b>	<b>\$ 1,033,902</b>	<b>\$ 285,499</b>	<b>\$ 1,319,401</b>	<b>\$ (13,766,060)</b>	<b>\$ (217,433)</b>	<b>\$ 1,402,611</b>
<b>Balance – November 1, 2010</b> (Note 3)	<b>71,439,656</b>	<b>\$ 13,142,253</b>	<b>\$ 540,052</b>	<b>\$ 285,499</b>	<b>\$ 1,125,551</b>	<b>\$ (12,025,476)</b>	<b>\$ (66,621)</b>	<b>\$ 2,175,707</b>
Net loss for the period	-	-	-	-	-	(188,534)	-	(188,534)
Items of other comprehensive loss	-	-	-	-	-	-	(123,750)	(123,750)
Common shares issued on exercise of warrants	6,024,500	602,450	-	-	-	-	-	602,450
Common shares issued for mineral interests	2,700,000	280,000	-	-	-	-	-	280,000
Share-based compensation	-	-	128,850	-	128,850	-	-	128,850
<b>Balance – January 31, 2011</b> (Note 3)	<b>80,164,156</b>	<b>\$ 14,024,703</b>	<b>\$ 968,902</b>	<b>\$ 285,499</b>	<b>\$ 1,254,850</b>	<b>\$ (12,214,010)</b>	<b>\$ (190,371)</b>	<b>\$ 2,874,723</b>

**YALE RESOURCES LTD.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**(Unaudited)**  
(Expressed in Canadian Dollars)

	For the three months ended	
	January 31, 2012	January 31, 2011 (Note 3)
<b>Operating Activities</b>		
Net loss	\$ (51,513)	\$ (191,034)
Items not affecting cash		
Depreciation	3,185	2,885
Gain on sale of marketable securities	(12,389)	(48,487)
Share-based compensation	-	128,850
<b>Operating Cash Flow</b>	<b>(60,717)</b>	<b>(107,786)</b>
<b>Changes in Non-Cash Working Capital</b>		
Amounts receivable	18,444	5,731
Prepaid expenses	3,099	0
Accounts payable and accrued liabilities	12,394	(219,615)
	<b>33,937</b>	<b>(213,884)</b>
<b>Cash Used in Operating Activities</b>	<b>(26,780)</b>	<b>(321,670)</b>
<b>Investing Activities</b>		
Purchase of marketable securities	-	-
Purchase of property, plant and equipment	(14,606)	(61)
Expenditure on mineral property interests	(39,077)	(133,726)
Proceeds on sale of marketable securities	32,499	76,367
<b>Cash Used in Investing Activities</b>	<b>(21,184)</b>	<b>(57,420)</b>
<b>Financing Activities</b>		
Exploration advances	1,467	100,282
Proceeds from issuance of common shares, net of share issue costs	-	602,450
<b>Cash Provided by Financing Activities</b>	<b>1,467</b>	<b>702,732</b>
<b>Increase in Cash and cash equivalents</b>	<b>(46,497)</b>	<b>323,642</b>
<b>Cash and cash equivalents, Beginning of Period</b>	<b>103,640</b>	<b>171,318</b>
<b>Cash and cash equivalents, End of Period</b>	<b>\$ 57,143</b>	<b>\$ 494,960</b>

Supplemental cash flow information:

- i) Acquisition of mineral interests is net of marketable securities received with a total deemed value of \$76,840 (2011: \$128,816).
- ii) Acquisition of mineral interests and common shares issued for cash are net of mineral property acquisition costs of \$nil (2011: \$280,000) which were paid for by the issuance of common shares.

## **YALE RESOURCES LTD.**

### **Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**

**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

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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's principal place of business is located at 400 - 409 Granville St. Vancouver, B.C., Canada, V6C 1T2.

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

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

At January 31, 2012, the Company had working capital of \$94,977 (October 31, 2011: \$154,611), (November 1, 2010: \$157,878) and an accumulated deficit of \$13,766,060 (October 31, 2011: \$13,714,547), (November 1, 2010: \$12,025,476). The Company will require additional financing or outside participation to meet its planned corporate and administrative expenses for the coming year and to undertake further exploration and subsequent development of its mineral interests. The Company's ability to continue as a going-concern is dependent on continued financial support from its shareholders, the ability of the Company to raise equity financing, and the attainment of profitable operations, external financings and further share issuances to meet the Company's liabilities as they become payable.

These financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. These financial statements do not include any adjustments for the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going-concern.

#### **2. BASIS OF PREPARATION**

##### **a) Statement of compliance and conversion to International Financial Reporting Standards**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Condensed Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS").

These are the Company's first IFRS condensed consolidated interim financial statements for the period covered by the Company's first IFRS annual consolidated financial statements for the year ending October 31, 2012. Previously, the Company prepared its annual and condensed consolidated interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). Canadian GAAP differs in some areas from IFRS. In preparing these financial statements, management has amended certain accounting policies previously applied in the Canadian GAAP consolidated financial statements to comply with IFRS. Note 3 contains reconciliations and descriptions of the effects of the transition from Canadian GAAP to IFRS on equity, operations and comprehensive loss along with reconciliations of the consolidated statements of financial position as at November 1, 2010, January 31, 2011 and October 31, 2011 and the consolidated statements of comprehensive loss and cash flows for the three months ended January 31, 2011 and for the year ended October 31, 2011.

##### **b) Basis of presentation**

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments classified as at fair value through profit and loss or available for sale, which are measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.



**YALE RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**

**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

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**2. BASIS OF PREPARATION (CONTINUED)**

**b) Basis of presentation (continued)**

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

As these condensed consolidated interim financial statements are for part of the period covered by the Company's first IFRS annual financial statements, the Company's disclosures exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and some additional disclosures required under IFRS, which also highlight the changes from the Company's 2011 annual consolidated financial statements prepared in accordance with Canadian GAAP. In 2013 and beyond, the Company may not provide the same amount of disclosure in the Company's condensed consolidated interim financial statements under IFRS as the reader will be able to rely on the annual financial statements, which will be prepared in accordance with IFRS.

These condensed consolidated interim financial statements, including comparatives, have been prepared using accounting policies consistent with IFRS as is expected to be effective on October 31, 2012, the Company's first IFRS annual reporting date.

The standards that will be effective for the annual financial statements for the year ending October 31, 2012 are subject to change and may be affected by additional interpretation(s). Accordingly, the accounting policies for the annual period that are relevant to these condensed consolidated interim financial statements will be determined only when the first IFRS annual consolidated financial statements are prepared for the year ending October 31, 2012.

The preparation of these condensed consolidated interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out in note 4 have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They have also been applied in preparing an opening IFRS consolidated statement of financial position at November 1, 2010 for the purpose of the transition to IFRS, as required by IFRS 1, *First Time Adoption of International Financial Reporting Standards* (IFRS 1). The impact of the transition from Canadian GAAP to IFRS is explained in note 3.

**c) Foreign currencies**

***i) Presentation and functional currency***

The presentation and functional currency of the Company and its subsidiary is the Canadian dollar.

***ii) Foreign currency transactions***

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Gains and losses arising on foreign currency translations are included in net loss for the period.

**d) Significant accounting judgments and estimates**

The preparation of the condensed consolidated interim financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. The preparation of the condensed consolidated interim financial statements also requires management to exercise judgment in the process of applying the accounting policies.

## **2. BASIS OF PREPARATION (CONTINUED)**

### **d) Significant accounting judgments and estimates (continued)**

#### *Critical accounting estimates*

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

#### *Impairment of assets*

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. No impairments of non-financial assets have been recorded for the three months ended January 31, 2012 (three months ended January 31, 2011 – \$nil).

#### *Useful life of property, plant and equipment*

Property, plant and equipment is depreciated over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of depreciation recorded during the year and the carrying value of property, plant and equipment. Total carrying value of property, plant and equipment at January 31, 2012 was \$45,180 (October 31, 2011 - \$33,759); (November 1, 2010 - \$14,644).

#### *Share-based compensation*

Management is required to make certain estimates when determining the fair value of share option awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's condensed consolidated interim statement of operations and comprehensive loss. For the three months ended January 31, 2012 the Company recognized share-based compensation of \$nil (January 31, 2011 - \$128,850).

#### *Critical judgements used in applying accounting policies*

In the preparation of these condensed consolidated interim financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the condensed consolidated interim financial statements.

#### *Mineral properties interests*

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its mineral property interests. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from mineral properties to property, plant and equipment, and subject to different accounting treatment. As at January 31, 2012, October 31, 2011 and November 1, 2010 management had determined that no reclassification of mineral property interests was required.

#### *Income taxes*

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the condensed consolidated interim financial statements.

**YALE RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**

**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

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**3. FIRST-TIME ADOPTION OF IFRS**

**a) Overview**

As disclosed in Note 2, these are the Company's first condensed consolidated interim financial statements for the period covered by the first annual financial statements prepared in accordance with IFRS.

The accounting policies in Note 4 have been applied in preparing the condensed consolidated interim financial statements for the three months ended January 31, 2012, the comparative information for the three months ended January 31, 2011, the consolidated statement of financial position as at October 31, 2011 and the preparation of an opening IFRS consolidated statement of financial position on the transition date, November 1, 2010.

**b) First time adoption**

The guidance for the first time adoption of IFRS is set out in IFRS 1 '*First-time Adoption of International Financial Reporting Standards*'. Under IFRS 1 changes in accounting policies resulting from the adoption of IFRS are applied retrospectively at the transition date with all adjustments taken to retained earnings unless certain optional exemptions are applied. The Company has applied the following optional exemptions to its opening consolidated statement of financial position dated November 1, 2010 (the "transition date"):

***Business Combinations***

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 '*Business Combinations*' retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and will apply IFRS 3 to business combinations that occur on or after November 1, 2010.

***Share-based payments***

IFRS 1 does not require first-time adopters to apply IFRS 2 '*Share-based Payment*' to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the date of transition to IFRS. The Company has elected not to apply IFRS 2 to awards that vested prior to November 1, 2010.

***Borrowing Costs***

IFRS 1 allows first-time adopters to apply IAS 23 '*Borrowing Costs*' prospectively from the date of transition to IFRS. The Company has elected apply IAS 23 prospectively from July 1, 2010. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.

***Deemed Cost***

IFRS 1 allows first-time adopters to elect to measure oil and gas interests at the date of transition to IFRS at the amount as determined under the adopter's previous GAAP. The Company has therefore elected to measure its Oil and gas interest at the amount as determined under Canadian GAAP at November 1, 2010.

**YALE RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**

**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

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**3. FIRST-TIME ADOPTION OF IFRS (CONTINUED)**

**b) First time adoption (continued)**

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied these guidelines with regard to estimates, to its transition date consolidated statement of financial position, as follows:

*Estimates*

In accordance with IFRS 1, an entity's estimates under IFRS for the comparative periods must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates for the comparative periods are consistent with its Canadian GAAP estimates for the same date.

**c) Changes in accounting policies**

The Company has changed certain accounting policies to be consistent with IFRS as is expected to be effective October 31, 2012, the Company's first annual IFRS reporting date. The changes to accounting policies as required by IFRS have not resulted in any significant changes to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements. However, as discussed below, the Company has elected not to capitalize exploration expenditures to mineral property interests, and the consequent adjustments have had a significant impact on the Company's financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS:

*Impairment of (Non-financial) Assets*

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Canadian GAAP required a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

IFRS also requires the reversal of any previous impairment losses, with the exception of goodwill, where circumstances have changed such that the level of impairment in the value of the assets has been reduced. Canadian GAAP prohibits the reversal of impairment losses.

The Company has changed its accounting policies related to impairment of assets to be consistent with the requirements under IFRS. The changes in accounting policies related to impairment did not have an impact on the condensed consolidated interim financial statements.

*Share-based Payments*

In certain circumstances, IFRS requires a different measurement of share-based compensation than Canadian GAAP. In particular, IFRS requires that each tranche (that vests separately) must be treated as a separate grant and that an estimate of forfeitures be included in the determination of the expense associated with share option grants.

Due to the nature of the Company's share options, these changes in accounting policy did not have a significant impact on the condensed consolidated interim financial statements.

**YALE RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**

**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

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**3. FIRST-TIME ADOPTION OF IFRS (CONTINUED)**

**c) Changes in accounting policies (continued)**

***Functional currency***

IFRS requires that the functional currency of each company within the consolidated group be assessed individually, while under Canadian GAAP the functional currency of an integrated operation was the same as the reporting company. Under IFRS, where a company's functional currency differs from the presentation currency of the consolidated financial statements, all foreign exchange gains and losses arising on translation to the presentation currency are recognised in the statement of operations and comprehensive income as other comprehensive income.

As the functional currency of the Company and its subsidiary has been assessed as the Canadian Dollar, this change in policy has no impact on the Company's financial statements.

***Mineral Property Assets***

IFRS allows a company to develop an accounting policy for the recognition of exploration and evaluation assets, including mineral properties.

The Company has elected to change its accounting policy for mineral property interests, whereby only acquisition costs are capitalized and all other exploration expenditures are recognized in the statement of operations and comprehensive loss in the period in which it is incurred. This change in policy had a significant impact on the condensed consolidated interim financial statements.

***Investment in Oil and Gas Interest***

IFRS requires that an investor in a joint venture that does not have joint control shall account for that investment as a financial instrument, while under Canadian GAAP the Company followed the full cost method of accounting for oil and gas interests's. The change in accounting policy did not have a significant impact on the condensed consolidated interim financial statements.

**d) Reconciliation of Canadian GAAP to IFRS**

The following provides reconciliations of the consolidated statements of financial position at the transition date of November 1, 2010 and at January 31, 2011 and October 31, 2011, and the consolidated statements of comprehensive loss and cash flows for the three months ended January 31, 2011 and the year ended October 31, 2011.

A discussion of the adjustments arising from changes in accounting policies and presentation follows these reconciliations:

**YALE RESOURCES LTD.**
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**
**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

**3. FIRST-TIME ADOPTION OF IFRS (CONTINUED)**
**Reconciliation of the Statements of Financial Position:**

	November 1, 2010			January 31, 2011			October 31, 2011			
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>ASSETS</b>										
<b>Current</b>										
Cash and cash equivalents		\$ 171,318	-	\$ 171,318	\$ 494,960	-	\$ 494,960	\$ 103,640	-	\$ 103,640
Amounts receivable		83,748	-	83,748	78,018	-	78,018	38,791	-	38,791
Marketable securities		247,467	-	247,467	222,654	-	222,654	230,505	-	230,505
Prepaid expenses and advances		4,500	-	4,500	4,500	-	4,500	3,099	-	3,099
		507,033	-	507,033	800,132	-	800,132	376,035	-	376,035
<b>Non-current</b>										
Amounts receivable		58,762	-	58,762	58,762	-	58,762	40,967	-	40,967
Prepaid expenses		19,050	-	19,050	19,050	-	19,050	19,050	-	19,050
Investment in oil and gas interest	(ii)	33,611	-	33,611	31,111	2,500	33,611	23,611	10,000	33,611
Property, plant and equipment		14,644	-	14,644	14,320	-	14,320	33,759	-	33,759
Mineral property interests	(i)	2,966,099	(1,074,337)	1,891,762	3,324,027	(1,145,355)	2,178,672	1,971,772	(765,184)	1,206,588
		3,092,166	(1,074,337)	2,017,829	3,447,270	(1,142,855)	2,304,415	2,089,159	(755,184)	1,333,975
<b>TOTAL ASSETS</b>		<b>\$ 3,599,199</b>	<b>\$ (1,074,337)</b>	<b>\$ 2,524,862</b>	<b>\$ 4,247,402</b>	<b>\$ (1,142,855)</b>	<b>\$ 3,104,547</b>	<b>\$ 2,465,194</b>	<b>\$ (755,184)</b>	<b>\$ 1,710,010</b>
<b>LIABILITIES</b>										
<b>Current</b>										
Accounts payable and accrued liabilities		\$ 317,527	-	\$ 317,527	\$ 97,914	-	\$ 97,914	\$ 113,877	-	\$ 113,877
Exploration advances		31,628	-	31,628	131,910	-	131,910	107,547	-	107,547
		349,155	-	349,155	229,824	-	229,824	221,424	-	221,424
<b>SHAREHOLDERS' EQUITY</b>										
Share capital		13,142,253	-	13,142,253	14,024,703	-	14,024,703	14,066,703	-	14,066,703
Reserves (previously contributed surplus)	(iii)	1,125,551	-	1,125,551	1,254,401	-	1,254,401	1,319,401	-	1,319,401
Accumulated deficit		(10,951,139)	(1,074,337)	(12,025,476)	(11,071,155)	(1,142,855)	(12,214,010)	(12,959,363)	(755,184)	(13,714,547)
Accumulated other comprehensive loss		(66,621)	-	(66,621)	(190,371)	-	(190,371)	(182,971)	-	(182,971)
		3,250,044	\$ (1,074,337)	2,175,707	4,017,578	(1,142,855)	2,874,723	2,243,770	(755,184)	1,488,586

**YALE RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**

**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

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<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 3,599,199</b>	<b>\$ (1,074,337)</b>	<b>\$ 2,524,862</b>	<b>\$ 4,247,402</b>	<b>\$ (1,142,855)</b>	<b>\$ 3,104,547</b>	<b>\$ 2,465,194</b>	<b>\$ (755,184)</b>	<b>\$ 1,710,010</b>
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**YALE RESOURCES LTD.**
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**
**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

**3. FIRST-TIME ADOPTION OF IFRS (CONTINUED)**
**Reconciliation of the Statements of Operations and Comprehensive Loss:**

	Three months ended January 31, 2011			Year ended October 31, 2011			
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>Operating Expenses</b>							
Accounting, audit and legal		\$ 19,652	-	\$ 19,652	\$ 84,047	-	\$ 84,047
Consultants' fees		28,500			103,000	-	103,000
Depreciation	(ii)	2,885	(2,500)	385	18,468	(10,000)	8,468
Exploration costs	(i)	-	71,018	71,018	-	291,117	291,117
Investor relations		8,319	-	8,319	31,191	-	31,191
Management fees		15,000	-	15,000	78,000	-	78,000
Office and miscellaneous		9,754	-	9,754	40,902	-	40,902
Property examination costs; net		-	-	-	20,092	-	20,092
Regulatory fees		3,463	-	3,463	17,700	-	17,700
Rent		8,381	-	8,381	37,086	-	37,086
Share-based compensation		128,850	-	128,850	139,850	-	139,850
Telephone		1,115	-	1,115	5,056	-	5,056
Transfer agent and listing fees		1,054	-	1,054	8,813	-	8,813
Travel		2,121	-	2,121	6,370	-	6,370
		229,094	68,518	297,612	644,575	281,117	925,692
<b>Other (Income) Expenses</b>							
Expense recoveries		(58,917)	-	(58,917)	(78,283)	-	(78,283)
Foreign exchange loss		3,928	-	3,928	16,185	-	16,185
Impairment of mineral property interests	(i)	-	-	-	1,390,542	(600,270)	790,272
Impairment loss on marketable securities		-	-	-	117,024	-	117,024
Oil and gas income; net		(5,594)	-	(5,594)	(17,504)	-	(17,504)
Other income		(8)	-	(8)	(25,907)	-	(25,907)
Realized gain on sale of marketable securities		(48,487)	-	(48,487)	(38,408)	-	(38,408)
<b>Net Loss for the Period/Year</b>		<b>120,016</b>	<b>68,518</b>	<b>188,534</b>	<b>2,008,224</b>	<b>(319,153)</b>	<b>1,689,071</b>
<b>Other Comprehensive Loss</b>							
Unrealized loss on marketable securities		136,587	-	136,587	154,269	-	154,269
Transfer on sale of marketable securities		(12,837)	-	(12,837)	(10,080)	-	(10,080)
Transfer on impairment of marketable securities		-	-	-	(27,839)	-	(27,839)
		123,750	-	123,750	116,350	-	116,350
<b>Total Comprehensive Loss for the Period/Year</b>		<b>\$ 243,766</b>	<b>\$ 68,518</b>	<b>\$ 312,284</b>	<b>\$ 2,124,574</b>	<b>\$ (319,153)</b>	<b>\$ 1,805,421</b>



**YALE RESOURCES LTD.**
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**
**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

**3. FIRST-TIME ADOPTION OF IFRS (CONTINUED)**
**Reconciliation of the Statements of Cash Flows:**

	Three months ended January 31, 2011			Year ended October 31, 2011			
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>Operating Activities</b>							
Net loss		\$ (120,016)	\$ (68,518)	\$ (188,534)	\$ (2,008,224)	\$ 319,153	\$ (1,689,071)
Items not affecting cash							
Depreciation	(ii)	2,885	(2,500)	385	18,468	(10,000)	8,568
Gain on sale of marketable securities		(48,487)	-	(48,487)	(38,408)	-	(38,408)
Share-based compensation		128,850	-	128,850	193,850	-	193,850
Impairment of mineral property interests	(i)	-	-	-	1,390,542	(600,270)	790,272
Impairment loss on marketable securities		-	-	-	117,024	-	117,024
Marketable securities included in exploration recoveries		-	-	-	(45,933)	-	(45,933)
Unrealized foreign exchange loss		-	-	-	7,456	-	7,456
<b>Operating Cash Flow</b>		<b>(36,768)</b>	<b>(71,018)</b>	<b>(107,786)</b>	<b>(365,225)</b>	<b>(291,117)</b>	<b>9621,729)</b>
<b>Changes in Non-Cash Working Capital</b>							
Amounts receivable		5,731	-	5,731	55,436	-	55,436
Prepaid expenses		-	-	-	1,401	-	1,401
Accounts payable and accrued liabilities		(219,652)	-	(219,652)	(22,224)	-	(22,224)
		(213,884)	-	(213,884)	34,613	-	34,613
<b>Cash Used in Operating Activities</b>		<b>(250,652)</b>	<b>(71,018)</b>	<b>(321,670)</b>	<b>(330,612)</b>	<b>(291,117)</b>	<b>(621,729)</b>
<b>Investing Activities</b>							
Purchase of property, plant and equipment		(61)	-	(61)	(27,583)	-	(27,583)
Expenditure on mineral property interests	(i)	(204,744)	71,018	(133,726)	(460,644)	291,117	(169,527)
Proceeds on sale of marketable securities		76,367	-	76,367	76,368	-	76,368
<b>Cash From (Used in) Investing Activities</b>		<b>(128,438)</b>	<b>71,018)</b>	<b>57,420)</b>	<b>(411,859)</b>	<b>291,117)</b>	<b>(120,742)</b>
<b>Financing Activities</b>							
Exploration advances		100,282	-	100,282	78,159	-	78,159
Proceeds from issuance of common shares, net of share issue costs		602,450	-	602,450	602,450	-	602,450
<b>Cash Used in Financing Activities</b>		<b>702,732)</b>	<b>-)</b>	<b>702,732)</b>	<b>680,609)</b>	<b>-)</b>	<b>680,609)</b>
<b>Foreign Exchange Effect on Cash</b>		<b>-)</b>	<b>-)</b>	<b>-)</b>	<b>(5,816)</b>	<b>-)</b>	<b>(5,816)</b>
<b>Increase in cash and cash equivalents</b>		<b>323,642)</b>	<b>-)</b>	<b>323,642)</b>	<b>(67,678)</b>	<b>-)</b>	<b>(67,678)</b>
<b>Cash and cash equivalents, Beginning of Period/Year</b>		<b>171,318)</b>	<b>-)</b>	<b>171,318)</b>	<b>171,318)</b>	<b>-)</b>	<b>171,318)</b>
<b>Cash and cash equivalents, End of Period/Year</b>		<b>\$ 494,960)</b>	<b>-)</b>	<b>\$ 494,960)</b>	<b>\$ 103,640)</b>	<b>-)</b>	<b>\$ 103,640)</b>

**YALE RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**

**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

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**3. FIRST-TIME ADOPTION OF IFRS (CONTINUED)**

**d) Reconciliation of Canadian GAAP to IFRS (continued)**

- (i) On transition to IFRS, the Company elected to change to its accounting policy for the treatment of exploration expenditures from a policy whereby such costs were previously capitalized to mineral property interests, to a policy of now expensing such expenditures, so as to align itself with policies applied by other comparable companies at a similar stage in the mining industry. Consequently, exploration expenditure which had previously been capitalized to mineral property interests are expensed; at transition through accumulated deficit and for the year ended October 31, 2011 through net loss for the year.
- (ii) As permitted by IFRS 1, at transition to IFRS the Company's Investment in Oil and Gas Interest was accounted for at a deemed cost equivalent to the value of the interest as calculated under Canadian GAAP on November 1, 2010. Thereafter the interest is required to be accounted for as a financial asset; therefore amortization of the Oil and Gas interest previously recognized under Canadian GAAP is no longer recognized under IFRS.
- (iii) IAS 1 requires an entity to present, for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. The Company examined its previously reported contributed surplus and concluded that it was comprised of the fair value of options issued as share-based awards and warrants issued under private placements.

Therefore, at November 1, 2010 the fair value attributable to options and warrants outstanding at that date was transferred from contributed surplus to an "Equity settled share-based payment reserve" and a "Reserve for warrants", respectively, as detailed in the Company's Statement of Changes in Shareholders' Equity.

**4. SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of consolidation**

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned 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 material intercompany transactions and balances, including unrealised income and expenses arising from intercompany transactions have been eliminated on consolidation.

**b) Financial instruments**

Financial assets and financial liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

***Financial assets***

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss (FVTPL)* - This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss for the period.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

**YALE RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**

**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) Financial instruments (continued)**

*Financial assets (continued)*

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss for the period.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss for the period.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets, other those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are disclosed above.

*Financial liabilities*

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or financial liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss for the period.

*Other financial liabilities:* This category includes accounts payables and accrued liabilities and exploration advances. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

**c) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

**d) Property, plant and equipment**

Property, plant and equipment ("PPE") is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment are depreciated on a declining balance basis at the following annual rates, when they become available for use:

Vehicles	30%
Office Equipment	20%
Computer software and equipment	45%

**YALE RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**

**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d) Property, plant and equipment (continued)**

Where an item of PPE comprises major components with different useful lives, the components are accounted for as separate items of PPE. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Material residual value estimates and estimates of useful life are updated as required (but at least annually).

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the condensed consolidated statement of operations and comprehensive loss.

The Company compares the carrying value of PPE to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

**e) Mineral property interests**

Acquisition costs for mineral properties, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs include cash consideration and the value of common shares, based on recent issue prices, issued for mineral properties, pursuant to the terms of the agreement. Exploration and evaluation expenditures, net of recoveries, are charged to operations as incurred. After a property is determined by management to be technically feasible and commercially viable, capitalized costs for the property will be transferred to mining property and development assets. Prior to transfer the asset will be tested for impairment. The costs related to a property from which there is production will be depleted on a unit-of-production basis, using estimated proven and probable recoverable reserves as the depletion base.

Mineral properties acquired under an option agreement where payments are made at the sole discretion of the Company are capitalized at the time of payment. Option payments received are treated as a reduction of the carrying value of the related acquisition cost for the mineral property until the payments are in excess of acquisition costs, at which time they are then credited to operations. Option payments are at the discretion of the optionee and, accordingly, are accounted for when receipt is reasonably assured.

Capitalized acquisition costs are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

The recoverability of the carrying amount of mineral property interests is dependent on successful development and commercial exploitation, or alternatively, the sale of the respective areas of interest.

**f) Impairment of assets**

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**YALE RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**

**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f) Impairment of assets (continued)**

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss in the consolidated statement of operations and comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss in the consolidated statement of operations and comprehensive loss.

**g) Share capital**

*Common shares*

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

*Equity Units*

Proceeds received on the issuance of units, comprised of common shares and warrants, are allocated on the residual value method; proceeds are allocated to the common shares up to their fair value, as determined by the current quoted trading price, and the balance, if any, to the reserve for warrants.

**h) Share-based payments**

The Company sometimes grants share-based awards to directors, officers, employees and consultants. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of employee options is measured at the option's grant date, and the fair value of non-employee options is measured at the date or over the period during which goods or services are received. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The fair value of each tranche of options granted which do not vest immediately on grant, is recognized using the graded vesting method over the period during which the options vest. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. If those options expire or are forfeited after vesting, the recorded value is transferred to retained earnings (accumulated deficit).

Share-based compensation expense is credited to the equity settled share-based payment reserve. Their fair value is transferred from the reserve to share capital when the options are later exercised.

**i) Loss per share**

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the net loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares; the effect of any anti-dilutive potential common shares are not taken into account in this calculation

**YALE RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**

**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**j) Income taxes**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences on the initial recognition of assets or liabilities that affect neither accounting nor taxable loss is not provided for. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**k) Provisions**

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to the passage of time is recognized as a finance cost.

**l) Provision for Asset Retirement Obligation**

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, or as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

**m) Comparatives**

Certain comparative figures have been reclassified in order to conform to the current year's financial statement presentation.

**YALE RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**

**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**n) New accounting standards and interpretations not yet adopted**

At the date of authorization of these financial statements, the IASB has issued a number of new and revised standards and interpretations which are not yet effective for the relevant reporting periods.

***IFRS 9 Financial Instruments***

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 Financial Instruments (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. Management has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's financial statements.

***IFRS 10 Consolidated Financial Statements***

In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements (IFRS 10). IFRS 10, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 10 replaces Standing Interpretations Committee 12 Consolidation – Special Purpose Entities (SIC 12) and IAS 27 Consolidated and Separate Financial Statements (IAS 27). IFRS 10 eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. The standard provides guidance on how to apply the control principles in a number of situations, including agency relationships and holding potential voting rights. Management has not yet determined the potential impact that the adoption of IFRS 10 will have on the Company's financial statements.

***IFRS 12 Disclosure of Interests in Other Entities***

In May 2011, the IASB issued IFRS 12 Disclosure of Interests in Other Entities (IFRS 12). IFRS 12, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 12 outlines the required disclosures for interests in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements. Management has not yet determined the potential impact that the adoption of IFRS 12 will have on the Company's financial statements.

***IFRS 13 Fair Value Measurement***

In May 2011, the IASB issued IFRS 13 Fair Value Measurement (IFRS 13). IFRS 13, which is to be applied prospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 13 defines fair value, provides a framework for measuring fair value and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement. Management has not yet determined the potential impact that the adoption of IFRS 13 will have on the Company's financial statements.

**YALE RESOURCES LTD.****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****n) New accounting standards and interpretations not yet adopted (continued)***Other*

In June 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements to revise the way in which other comprehensive income is presented. The Company does not believe the changes resulting from the amended standard will have an impact on its financial statements. The amended standard is effective for annual periods beginning on or after July 1, 2012.

In June 2011, the IASB issued amendments to IAS 19 Employee Benefits with revised requirements for pensions and other postretirement benefits, termination benefits and other changes. The Company does not believe the changes resulting from these amendments are relevant to its financial statements. The amended standard is effective for annual periods beginning on or after January 1, 2013.

In June 2011, the IASB issued amendments to IFRS 7 Financial Instruments: Disclosures. The Company does not believe the changes resulting from these amendments are relevant to its financial statements. The amended standard is effective for annual periods beginning on or after July 1, 2011.

In May 2011, the IASB issued IFRS 11 Joint Arrangements, in addition to IFRS 10 and IFRS 12 as discussed above. The Company does not believe the changes resulting from this new standard are relevant to its financial statements. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

In October 2011, the IASB issued IFRIC 20 Stripping costs in the production phase of a surface mine. The Company does not believe the changes resulting from this new standard are relevant to its financial statements. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013.

**5. CASH AND CASH EQUIVALENTS**

At January 31, 2012 the Company's cash and cash equivalents comprised cash at financial institutions and cash on hand of \$57,143 (October 31, 2011: \$103,640), (November 1, 2010: \$171,318) . Cash was denominated in Canadian Dollars, US Dollars and Mexican Pesos as follows:

	<b>January 31, 2012</b>	October 31, 2011	November 1, 2010
Cash deposited with financial institutions and on hand:			
Denominated in Canadian Dollars	\$ 34,356	\$ 47,441	\$ 23,729
Denominated in US Dollars	2,069	33,011	105,387
Denominated in Mexican Pesos	20,718	23,188	42,202
<b>Total Cash and cash equivalents</b>	<b>\$ 57,143</b>	<b>\$ 103,640</b>	<b>\$ 171,318</b>



**YALE RESOURCES LTD.****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

**6. AMOUNTS RECEIVABLE**

Amounts receivable were comprised of the following:

	January 31, 2012	October 31, 2011	November 1, 2010
<b>Current:</b>			
Sales tax receivable	\$ 16,249	\$ 34,693	\$ 83,094
Other amounts receivable	4,098	4,098	655
	<b>20,347</b>	38,791	83,748
<b>Non-Current</b>			
Sales tax receivable	40,967	40,967	58,762
<b>Total amounts receivable</b>	<b>\$ 61,314</b>	<b>\$ 79,758</b>	<b>\$ 142,510</b>

**7. 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, and are valued at cost.

	January 31, 2011		October 31, 2011		November 1, 2010	
	Number of shares	Fair Value	Number of shares	Fair Value	Number of shares	Fair Value
Silver Sun Capital Corp.	30,000	\$ 10,650	60,000	\$ 13,960	400,000	\$ 19,962
Del Toro Silver Corp.	600,000	60,312	600,000	23,024	350,000	64,273
Gold American Mining Corp.	300,000	16,019	300,000	19,075	200,000	163,232
Sonora Resources Corp.	553,195	140,793	400,000	174,396	-	-
Mammoth Capital Inc.	100,000	25,000	-	-	-	-
	<b>1,583,195</b>	<b>\$ 252,774</b>	1,360,000	\$ 230,505	950,000	\$ 247,467

At October 31, 2011 certain available-for-sale securities at fair value were determined to be impaired. Accordingly, an impairment loss of \$117,024 was recognized in net loss for the year ended October 31, 2011.

**8. 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. During the year ended October 31, 2010, the Company contributed an additional \$8,742. The joint venture has an interest in two producing oil and gas wells located in Texas and Louisiana, United States.

**YALE RESOURCES LTD.****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

**9. PROPERTY, PLANT AND EQUIPMENT**

	<b>Vehicles</b>	<b>Office Equipment</b>	<b>Computer software and equipment</b>	<b>Total</b>
<b>COST</b>				
Balance, November 1, 2010	\$ -	\$ 30,216	\$ 8,897	\$ 39,113
Additions	14,472	1,714	11,398	27,584
Balance, October 31, 2011	14,472	31,930	20,295	66,697
Additions	12,782	1,023	801	14,606
Balance, January 31, 2012	27,254	32,953	21,096	81,303
<b>ACCUMULATED DEPRECIATION</b>				
Balance, November 1, 2010	-	18,103	6,366	24,469
Depreciation	2,171	2,594	3,704	8,469
Balance, October 31, 2011	2,171	20,697	10,070	32,938
Depreciation	1,402	587	1,196	3,185
Balance, January 31, 2012	3,573	21,284	11,266	36,123
<b>CARRYING AMOUNTS</b>				
At November 1, 2010	-	12,113	2,531	14,644
At October 31, 2011	12,301	11,234	10,225	33,759
<b>At January 31, 2012</b>	<b>\$ 23,681</b>	<b>\$ 11,669</b>	<b>\$ 9,830</b>	<b>\$ 45,180</b>

**YALE RESOURCES LTD.****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

**10. MINERAL PROPERTY INTERESTS**

The Company has accumulated the following acquisition expenditures:

	Urique	Carol-Balde	La Verde Grande	Dos Naciones	Oro Fino	Los Amoles	Tenoriba	Guadalupe	Apache	Total
<b>Balance, November 1, 2010</b>	\$ 674,835	\$ 174,808	\$ 620,044	\$ 1	\$ 176,372	\$ 194,818	\$ 50,884	\$ 1	\$ -	\$ 1,891,763
Acquisition costs during the year	-	-	-	-	119,774	7,788	-	31,369	262,500	421,431
Recoveries	(25,000)	(60,000)	-	-	-	(199,964)	-	(31,369)	-	(316,333)
Net additions during the year	(25,000)	(60,000)	-	-	119,774	(192,176)	-	-	262,500	105,098
Mineral interests written down	-	-	(620,043)	-	(119,346)	-	(50,884)	-	-	(790,273)
<b>Balance, October 31, 2011</b>	649,835	114,808	1	1	176,800	2,642	-	1	262,500	1,206,588
Acquisition costs during the year	-	-	-	-	14,879	-	-	-	-	14,879
Recoveries	(50,000)	-	-	-	-	(2,641)	-	-	-	(52,641)
Net additions during the year	(50,000)	-	-	-	14,879	(2,641)	-	-	-	(37,762)
<b>Balance, January 31, 2012</b>	\$ 599,835	\$ 114,808	\$ 1	\$ 1	\$ 191,679	\$ 1	\$ -	\$ 1	\$ 262,500	\$ 1,168,826

**YALE RESOURCES LTD.****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

**10. MINERAL PROPERTY INTERESTS (CONTINUED)**

The Company incurred the following exploration expenditures, which were recognized in the statement of operations and comprehensive loss for the three months ended January 31, 2012:

	Urique	Carol-Balde	La Verde Grande	Dos Naciones	Oro Fino	Los Amoles	Yoreme	Guadalupe	Apache	Total
Balance, October 31, 2011	\$ 594,850	\$ 40,309	\$ -	\$ -	\$ 110,637	\$ 1,922	\$ -	\$ -	\$ 17,465	\$ 765,183
Camp and exploration support	15,032	593	3,699	24,602	7,699	14,344	9,589	(94)	65	75,529
Drilling	0	-	-	639	-	122	-	-	-	761
Geochemistry	3,050	-	-	2,545	-	-	3,792	-	-	9,387
Geophysical consulting	0	-	-	-	-	-	-	-	-	-
Geological consulting	33,039	-	-	1,347	-	594	427	-	-	35,407
Geological fieldwork	0	-	-	4,751	-	4,347	3,330	-	-	12,428
Taxes	1,193	2,148	3,558	5,586	4,724	1,377	-	(1,134)	258	17,710
Travel	53	-	-	2,325	-	363	488	-	-	3,229
Total costs during the period	52,367	2,741	7,257	41,795	12,423	21,147	17,626	(1,228)	323	154,451
Recoveries	(87,648)	-	-	-	-	(59,395)	-	-	-	(147,043)
<b>Net additions during the period</b>	<b>(35,281)</b>	<b>2,741</b>	<b>7,257</b>	<b>41,795</b>	<b>12,423</b>	<b>(38,248)</b>	<b>17,626</b>	<b>(1,228)</b>	<b>323</b>	<b>7,408</b>
Balance, January 31, 2012	\$559,569	\$ 43,050	\$ 7,257	\$ 41,795	\$ 123,060	\$ (36,326)	\$ 17,626	\$ (1,228)	\$ 17,788	\$ 772,591

**YALE RESOURCES LTD.****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

**10. MINERAL PROPERTY INTERESTS (CONTINUED)**

The Company incurred the following exploration expenditures, which were recognized in the statement of operations and comprehensive loss for the three months ended January 31, 2011:

	Urique	Carol-Balde	La Verde Grande	Dos Naciones	Oro Fino	Los Amoles	Tenoriba	Guadalupe	Apache	Total
Balance, October 31, 2010	\$ 440,280	\$ 13,405	\$ 472,133	\$ 1	\$ 129,135	\$ 15,530	\$ 3,852	\$ 1	\$ -	\$ 1,074,337
Assay	-	-	-	1,091	876	-	1,779	-	-	3,746
Camp and exploration support	3,673	3,689	6,534	3,673	3,689	3,673	3,538	-	-	28,469
Geological consulting	-	-	-	-	-	-	-	-	-	-
Geological fieldwork	-	-	16	-	-	81	163	-	-	260
Materials and supplies	-	-	119	-	72	699	-	-	-	890
Taxes	39,340	-	8,433	4,905	-	-	11,361	-	-	64,039
Travel	-	1,186	131	-	169	835	962	-	-	3,283
Total costs during the period	43,013	4,875	15,233	9,669	4,806	5,288	17,803	-	-	100,687
Recoveries	-	-	-	(9,669)	(20,000)	-	-	-	-	(29,669)
<b>Net additions during the period</b>	<b>43,013</b>	<b>4,875</b>	<b>15,233</b>	<b>-</b>	<b>(15,194)</b>	<b>5,288</b>	<b>17,803</b>	<b>-</b>	<b>-</b>	<b>71,018</b>
Balance, January 31, 2011	\$ 483,293	\$ 18,280	\$ 487,366	\$ 1	\$ 113,941	\$ 20,818	\$ 21,655	\$ 1	\$ -	\$ 1,145,355

**YALE RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**

**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

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**10. 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 (received).

Issuance of 1,700,000 shares as follows:

- 100,000 shares upon acceptance by the TSX Venture Exchange (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.**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**

**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

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**10. 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.

**10. 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).

During the current period the Company terminated its option agreement with El Condor Resources Inc., as certain financial milestones in the agreement were not met by El Condor.

**(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 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 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.

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.



**YALE RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**

**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

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**10. MINERAL PROPERTY INTERESTS (CONTINUED)**

**(c) La Verde Property, Mexico (continued)**

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 LOI (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).

**(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:

**YALE RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**

**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

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**10. MINERAL PROPERTY INTERESTS (CONTINUED)**

**(d) Oro Fino Property, Mexico (continued)**

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 (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.

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.

**YALE RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**

**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

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**10. MINERAL PROPERTY INTERESTS (CONTINUED)**

**(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).

During the year ended October 31, 2011, the Company acquired, by staking, an additional 1,960 hectares of land contiguous to its Los Amoles Property.

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.

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 on or before the first anniversary of the Effective Date (received);
- 200,000 common shares on or before the second anniversary of the Effective Date; and
- 200,000 common shares on or before the third anniversary of the Effective Date.

**(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.

**YALE RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**

**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

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**10. MINERAL PROPERTY INTERESTS (CONTINUED)**

**(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.

On March 5, 2010, the Company signed a LOI with Gold America (formerly Silver America Inc.) to allow Gold America 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 (US\$20,000 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 \$nil for the period ended January 31, 2012 (October 31, 2011: \$30,492) have been included as exploration recoveries on the consolidated statements of operations.

**YALE RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**

**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

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**10. MINERAL PROPERTY INTERESTS (CONTINUED)**

**(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.

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 \$Nil for the period ended January 31, 2012 (October 31, 2011 -\$47,791) 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.

**(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.

**YALE RESOURCES LTD.****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

**10. MINERAL PROPERTY INTERESTS (CONTINUED)****(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.

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.

**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities were comprised of the following:

	<b>January 31, 2012</b>	October 31, 2011	November 1, 2010
Trade payables	\$ 54,769	\$ 52,971	\$ 91,776
Accruals	52,900	49,100	36,000
Taxes payable	18,568	11,707	28,762
Other amounts payable	36	99	160,990
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 126,273</b>	<b>\$ 113,877</b>	<b>\$ 317,527</b>

**12. SHARE CAPITAL****(a) Authorized**

Unlimited number of common shares without par value

**(b) Issued**

(i) No shares were issued during the three months ended January 31, 2012.

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

**YALE RESOURCES LTD.****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

**12. SHARE CAPITAL (CONTINUED)****(b) Issued (continued)**

(iii) 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 10(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 10(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 10(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 10(d)).

**(c) Share purchase warrants**

At January 31, 2012 and October 31, 2011 the Company has no share purchase warrants outstanding.

A continuity schedule of outstanding common share purchase warrants for the three months ended January 31, 2012 and the year ended October 31, 2011 is as follows:

	<b>January 31, 2011</b>		<b>October 31, 2011</b>	
	<b>Number outstanding</b>	<b>Weighted average exercise price</b>	<b>Number outstanding</b>	<b>Weighted average exercise price</b>
Outstanding, beginning of the year	-	-	9,451,500	\$ 0.10
Exercised	-	-	(6,024,500)	\$ 0.10
Expired	-	-	(3,427,000)	\$ 0.10
Outstanding, end of the period/year	-	-	-	\$ -

**(d) Share Options**

A continuity schedule of outstanding share options for the three months ended January 31, 2012 and the year ended October 31, 2011 is as follows:

	<b>January 31, 2011</b>		<b>October 31, 2011</b>	
	<b>Number outstanding</b>	<b>Weighted average exercise price</b>	<b>Number outstanding</b>	<b>Weighted average exercise price</b>
Outstanding, beginning of the year	<b>6,095,000</b>	<b>\$ 0.10</b>	3,445,000	\$ 0.11
Granted	-	<b>\$ 0.10</b>	2,800,000	\$ 0.10
Expired	<b>(895,000)</b>	<b>\$ 0.25</b>	(150,000)	\$ 0.25
Outstanding, end of the period/year	<b>5,200,000</b>	<b>\$ 0.10</b>	6,095,000	\$ 0.10

**YALE RESOURCES LTD.****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

**12. SHARE CAPITAL (CONTINUED)****(d) Share Options (continued)**

As at January 31, 2012 the Company had share options outstanding and exercisable to acquire common shares of the Company as follows:

Expiry Date	Options outstanding and exercisable	Exercise Price	Weighted average remaining contractual life (in years)
April 19, 2012	150,000	\$ 0.10	0.22
September 29, 2012	1,950,000	\$ 0.10	0.66
February 21, 2013	100,000	\$ 0.10	1.06
June 20, 2013	200,000	\$ 0.10	1.39
January 23, 2014	1,500,000	\$ 0.10	1.98
August 10, 2014	1,300,000	\$ 0.10	2.53
	5,200,000	\$ 0.10	1.53

**(e) Share-based compensation**

During the three months ended January 31, 2012 no share options were granted (three months ended January 31, 2011 – 1,500,000) to directors, officers, and consultants.

The fair value of share options granted and vested during three months ended January 31, 2012 and 2011 was recognised as share-based compensation in the statement of operations and comprehensive loss, and was allocated as follows:

	January 31, 2012	January 31, 2011
Management fees	-	\$ 103,510
Consultants' fees	-	25,340
Total share based compensation	-	\$128,850

The fair value of the options issued was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions:

	January 31, 2012	January 31, 2011
Risk free interest rate	-	1.43%
Expected annual volatility*	-	151.1%
Expected life	-	3 years
Expected dividend yield	-	\$ -
Exercise price	-	\$ 0.10
Share price	-	\$ 0.11

\* Expected volatility has been based on historical volatility of the Company's publicly traded shares

**13. LOSS PER SHARE*****Basic and diluted loss per share***

The calculation of basic and diluted loss per share for the three months ended January 31, 2012 was based on the loss attributable to common shareholders of \$51,513 (January 31, 2011 – \$188,534) and a weighted number of common shares outstanding of 80,839,156 (January 31, 2011- 74,180,227).



**YALE RESOURCES LTD.****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

**14. RELATED PARTY TRANSACTIONS****(a) Management transactions**

Management transactions with related parties during the three months ended January 31, 2012 and 2011 were as follows:

	January 31, 2012			January 31, 2011		
	Short-term employee benefits	Other benefits	Total	Short- term employee benefits	Share- based payments	Total
Ian Foreman; President	\$ 24,000	\$ -	\$ 24,000	\$ 18,000	\$ 17,180	\$ 35,180
Ezra Jimenez; CFO	\$ 21,000	\$ -	\$ 21,000	\$ 15,000	\$ 17,180	\$ 32,180
Timeline Filing Services Ltd. <sup>(i)</sup>	\$ 6,000	\$ -	\$ 6,000	\$ 6,000	\$ 8,590	\$ 14,590

(i) Timeline Filing Services Ltd.; a private enterprise controlled by the Company's Corporate Secretary; Laara Shaffer. Share based payments were made to Laara Shaffer in an individual capacity.

**(b) Directors' transactions**

During the three months ended January 31, 2012, share based compensation recognized, related to directors (excluding share-based compensation disclosed in (a) above), was \$nil (January 31, 2011 - \$60,560).

**14. SEGMENTED INFORMATION**

The Company operates in one reportable operating segment; mineral exploration and development.

The Company's non-current assets, excluding financial instruments, located in its geographic segments of Canada and Mexico, were as follows:

	January 31, 2012	October 31, 2011	November 1, 2010
Canada	\$ 7,542	\$ 8,072	\$ 6,797
Mexico	1,206,464	1,232,274	1,899,608
	\$ 1,214,006	\$ 1,240,347	\$ 1,906,406

No revenues from external customers were earned during the three months ended January 31, 2012 or 2011 in either of the geographic locations.

**YALE RESOURCES LTD.****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

**15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company's financial assets and liabilities were categorized as follows:

	<b>January 31, 2012</b>	October 31, 2011	November 1, 2010
<b>Financial assets:</b>			
Fair value through profit and loss			
Cash and cash equivalents	\$ 57,143	\$ 103,640	\$ 171,318
Loans and receivables			
Amounts receivable*	4,098	4,098	655
Available for sale			
Marketable securities	252,774	230,505	247,467
Investment in oil and gas interest	33,611	33,611	33,611
<b>Total financial assets</b>	<b>\$ 347,626</b>	<b>\$ 371,854</b>	<b>\$ 453,051</b>
<b>Financial liabilities:</b>			
Other financial liabilities			
Accounts payable and accrued liabilities	\$ 126,273	\$ 113,877	\$ 317,527
<b>Total financial liabilities</b>	<b>\$ 126,273</b>	<b>\$ 113,877</b>	<b>\$ 317,527</b>

\*Excluding sales tax receivable

The fair values of the Company's amounts receivables, accounts payable and accrued liabilities and exploration advances approximate their carrying values due to the short-term nature of these instruments. Where marketable securities are publically traded their value is measured at market value, unless they are restricted from trading, where they will be measured at cost. The Company's Investment in oil and gas interest is valued at cost, as it does not have a quoted market price in an active market and the fair value cannot be reliably determined.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk.

**(a) Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk with respect to its cash and cash equivalents and amounts receivable.

The Company deposits substantially all of its cash at a Canadian chartered bank.. The Company's amounts receivable consist primarily of Harmonized Sales Tax receivable from the Canadian government and Value Added Tax receivable from the Mexican government. Management considers the risk of non-performance related to cash and cash equivalents and amounts receivable to be minimal.

**(b) Liquidity Risk**

Liquidity risk is the risk that an entity will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

At January 31, 2012 the Company had cash in the amount of \$57,143 (October 31, 2011 - \$103,640), (November 1, 2010 - \$171,318) and accounts payable and accrued liabilities of \$126,273 (October 31, 2011 - \$113,877), (November 1, 2010 - \$317,527). Trade payables are due within twelve months of the financial position date.

The Company ensures, as far as reasonably possible, that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash.

**15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

(c) *Market Risk*

Market risk consists of interest rate risk, foreign currency risk, and other price risk. These are discussed below:

Interest rate risk

Interest rate risk consists of two components:

- i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate cash flow risk because of their short-term nature and maturity.

The Company is exposed from time to time to interest rate price risk as a result of holding fixed rate cash equivalent investments of varying maturities. The risk that the Company will realize a loss as a result of a decline in the fair value of these investments is limited as these investments are highly liquid securities with short-term maturities.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

The Company is exposed to foreign currency risk with respect to cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities, as a portion of these amounts are denominated in Mexican Pesos ("MXN") and US Dollars ("USD") as follows:

	January 31, 2012		October 31, 2011		November 1, 2010	
	MXN	USD	MXN	USD	MXN	USD
Cash	\$ 267,545	\$ 2,061	\$ 303,385	\$ 33,268	\$ 509,961	\$ 103,330
Amounts receivable	625,230	-	853,403	-	1,593,996	-
Accounts payable and accrued liabilities	(423,773)	-	(212,207)	-	(2,306,051)	-
Rate to convert \$1 CAD	0.08	1.004	0.08	0.99	0.08	1.02

Based on the Company's net exposure, a 2% change (October 31, 2011 – 7%), (November 1, 2010 – 1%) in the Canadian/Mexican Peso exchange rate, and a 1% change (October 31, 2011 – 3%), (November 1, 2010 – 5%) in the Canadian/US exchange rate (based on prior year fluctuations in the relative exchange rates) would impact the Company's earnings by approximately \$681 (October 31, 2011 –\$6,129), (November 1, 2010 – \$5,348). As this sensitivity analysis does not take into account any variables other than foreign currency rate fluctuations, the above information may not fully reflect the fair value of the assets and liabilities involved.

**YALE RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**

**For the three months ended January 31, 2012 and 2011**

(Expressed in Canadian Dollars)

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**15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

*(c) Market Risk (continued)*

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk.

The Company is exposed to other price risk related to the fluctuation in the market price of its marketable securities. Although considered available for sale, these investments do not represent core assets of the Company nor are they considered material. However, the Company closely monitors the market values of these investments in order to determine the most appropriate course of action.

*(d) Classification of Financial Instruments*

IFRS 7 'Financial Instruments: Disclosure' establishes a fair value hierarchy that prioritizes the input to valuation techniques 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).

The Company's cash and cash equivalents and marketable securities are classified at level one of the fair value hierarchy. The Company had no level 2 or 3 financial assets at January 31, 2012, October 31, 2011 or November 1, 2010. As the carrying values of the Company's remaining financial instruments approximate their fair values, disclosure is not made of their level in the fair value hierarchy.

**16. MANAGEMENT OF CAPITAL**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral property interests, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company's capital consists of its cash and cash equivalents, investments, amounts receivable, and shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares or debt, acquire or dispose of assets or adjust the amount of cash and investments.

To effectively manage its resources and minimize risk, the Company maintains the majority of its capital at the parent company level and funds activities in its operating subsidiaries through a cash call process. The Company prepares annual expenditure budgets that are updated as necessary depending on factors including success of programs and general industry conditions. The budget and any revisions to it are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company's investment policy is to invest any excess cash in liquid short-term interest-bearing instruments callable at any time.

There have been no changes to the Company's approach to capital management during the three months ended January 31, 2012.