

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

**Consolidated Financial Statements**  
**January 31, 2011 and 2010**  
**(Unaudited – Prepared by Management)**

### **NOTICE OF NO AUDITOR REVIEW**

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

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

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

	<b>January 31, 2011</b>	<b>October 31, 2010</b> (audited)
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 494,960	\$ 171,318
Marketable securities (note 4)	222,654	247,467
Amounts receivable	78,018	83,748
Prepaid expenses and advances	4,500	4,500
	800,132	507,033
<b>Amounts Receivable</b>	58,762	58,762
<b>Prepaid Expenses</b>	19,050	19,050
<b>Investment in Oil and Gas Interest</b> (note 5)	31,111	33,611
<b>Equipment</b> (note 6)	14,320	14,644
<b>Mineral Property Interests</b> (note 7)	3,324,027	2,966,099
	\$ 4,247,402	\$ 3,599,199
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 97,914	\$ 317,527
Exploration advances	131,910	31,628
	229,824	349,155
<b>Shareholders' Equity</b>		
<b>Capital Stock</b> (note 8)	14,024,703	13,142,253
<b>Contributed Surplus</b>	1,254,401	1,125,551
<b>Deficit</b>	(11,071,155)	(10,951,139)
<b>Accumulated Other Comprehensive Income (Loss)</b>	(190,371)	(66,621)
	4,017,578	3,250,044
	\$ 4,247,402	\$ 3,599,199

Nature of Operations and Going Concern (note 1)

Approved by the Board:

*"Ian Foreman" (signed)*

..... Director

*"Luca Riccio" (signed)*

..... Director

**YALE RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**Consolidated Statements of Operations**  
**Three Months Ended January 31**  
**(Unaudited – Prepared by Management)**

	<b>2011</b>	<b>2010</b>
<b>Revenues</b>		
Interest and miscellaneous	\$ 8	\$ 26,509
Oil and gas revenue, net	5,594	2,379
	<b>5,602</b>	<b>28,888</b>
<b>Operating Expenses</b>		
Accounting, audit and legal	19,652	10,932
Amortization and depletion	2,885	2,907
Consultants' fees	28,500	95,696
Investor relations	8,319	789
Management fees	15,000	15,000
Office and miscellaneous	9,754	11,927
Regulatory fees	3,463	3,490
Rent	8,381	15,612
Stock-based compensation (note 8(f))	128,850	26,750
Telephone	1,115	1,023
Transfer agent and listing fees	1,054	2,177
Travel	2,121	1,475
	<b>229,094</b>	<b>187,778</b>
<b>Loss Before Other Items</b>	<b>223,492</b>	<b>158,890</b>
<b>Other Items</b>		
Write-down/off of mineral property interests	0	531
Expense recoveries	(58,917)	0
Foreign exchange loss (gain)	3,928	(1,719)
Gain on sale of marketable securities	(48,487)	0
<b>Net Loss for the Period</b>	<b>120,016</b>	<b>157,702</b>
<b>Loss Per Share, basic and diluted</b>	<b>\$ (0.002)</b>	<b>\$ (0.002)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>74,180,227</b>	<b>59,534,656</b>

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

	Number of Shares	Capital Stock	Contributed Surplus	Deficit Accumulated During the Exploration Stage	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance – October 31, 2009	57,124,656	\$ 12,358,443	\$ 1,055,801	\$ (10,498,616)	\$ 1,500	\$ 2,917,128
Net loss for year	0	0	0	(452,523)	0	(452,523)
Unrealized gain on marketable securities	0	0	0	0	(68,121)	(68,121)
Loss and comprehensive loss for year	0	0	0	0	0	0
Common shares issued for cash	57,124,656	12,358,443	1,055,801	(10,951,139)	(66,621)	2,396,484
Private placement	8,665,000	431,810	27,500	0	0	459,310
Exercise of warrants	1,500,000	105,000	0	0	0	105,000
Common shares issued for mineral interests	4,150,000	247,000	0	0	0	247,000
Stock-based compensation	0	0	42,250	0	0	42,250
Balance – October 31, 2010	71,439,656	13,142,253	1,125,551	(10,951,139)	(66,621)	3,250,044
Net loss for the period	0	0	0	(120,016)	(123,750)	(243,766)
Common shares issued for cash	71,439,656	13,142,253	1,125,551	(11,071,155)	(190,371)	3,006,278
Exercise of warrants	6,024,500	602,450	0	0	0	602,450
Common shares issued for mineral interests	2,700,000	280,000	0	0	0	280,000
Stock-based compensation	0	0	128,850	0	0	128,850
Balance – January 31, 2011	80,164,156	\$ 14,024,703	\$ 1,254,401	\$ (11,071,155)	\$ (190,371)	\$ 4,017,578

**YALE RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**Consolidated Statements of Cash Flows**  
**Three Months Ended January 31**  
**(Unaudited – Prepared by Management)**

	<b>2011</b>	<b>2010</b>
<b>Operating Activities</b>		
Net loss	\$ (120,016)	\$ (157,702)
Items not affecting cash		
Amortization	2,885	2,907
Stock-based compensation	128,850	26,750
Write-off of mineral interests	0	531
Gain on sale of marketable securities	(48,487)	0
<b>Operating Cash Flow</b>	<b>(36,768)</b>	<b>(127,514)</b>
<b>Changes in Non-Cash Working Capital</b>		
Accounts receivable	5,731	26,070
Prepaid expenses	0	61,237
Accounts payable and accrued liabilities	(219,615)	(62,911)
	<b>(213,884)</b>	<b>24,396</b>
<b>Cash Used in Operating Activities</b>	<b>(250,652)</b>	<b>(103,118)</b>
<b>Investing Activities</b>		
Purchase of marketable securities	0	(27,000)
Purchase of equipment	(61)	(791)
Purchase of investment in oil and gas interests	0	(3,916)
Exploration advances	100,282	0
Expenditures on mineral property interests	(204,744)	(2,577)
Proceeds on sale of marketable securities	76,367	0
<b>Cash Used in Investing Activities</b>	<b>(28,156)</b>	<b>(34,284)</b>
<b>Financing Activities</b>		
Proceeds from issuance of common shares, net of share issue costs	602,450	228,808
<b>Increase in Cash</b>	<b>323,642</b>	<b>91,406</b>
<b>Cash, Beginning of Period</b>	<b>171,318</b>	<b>60,284</b>
<b>Cash, End of Period</b>	<b>\$ 494,960</b>	<b>\$ 151,690</b>

Supplemental cash flow information:

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

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

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

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

At January 31, 2011, the Company had working capital of \$570,308 (October 31, 2010: working capital of \$157,878) and an accumulated deficit of \$11,075,237 (October 31, 2010: deficit of \$10,951,139). The Company will require additional financing or outside participation to meet its planned corporate and administrative expenses for the coming year and to undertake further exploration and subsequent development of its mineral interests. The Company's ability to continue as a going-concern is dependent on continued financial support from its shareholders, the ability of the Company to raise equity financing, and the attainment of profitable operations, external financings and further share issuances to meet the Company's liabilities as they become payable.

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

**2. COMPARATIVE FIGURES**

The comparative figures as at October 31, 2010 were reported on by the company's external auditors. Comparative figures for the periods ended January 31, 2011 and 2010 are unaudited and were prepared by management.

**3. BASIS OF PRESENTATION**

The accompanying unaudited interim consolidated financial statements include the accounts of 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 intercompany transactions have been eliminated.

These unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") with respect to the preparation of interim financial statements. Accordingly, they do not include all of the information and disclosures required by Canadian GAAP in the preparation of annual financial statements. The accounting policies used in the preparation of the accompanying unaudited interim financial statements are the same as those described in the annual financial statements and the notes thereto for the year ended October 31, 2010. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim financial statements should be read in conjunction with the Company's financial statements including the notes thereto for the year ended October 31, 2010.

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**4. MARKETABLE SECURITIES**

January 31, 2011		Adjusted Cost Base	Fair Market Value
	# shares	\$	\$
Silver Sun Capital Corp.	60,000	4,920	4,920
Nature's Call Brands Inc.	200,000	46,879	36,054
Del Toro Silver Corp.	600,000	140,048	108,180
Gold American Mining Corp.	300,000	221,215	73,500
		413,062	222,654

October 31, 2010		Adjusted Cost Base	Fair Market Value
	# shares	\$	\$
Silver Sun Resource Corp.	400,000	32,762	19,962
Del Toro Silver Corp.	350,000	92,111	64,273
Gold American Mining Corp.	200,000	189,215	163,232
	950,000	314,088	247,467

Of 60,000 (2010 – 400,000) shares of Silver Sun Resource Corp. (“Silver Sun”), none (2010 – 310,000) are recorded at fair value and 60,000 (2010 – 90,000) are held in escrow, to be released from escrow at the rate of 30,000 shares every six months starting December 25, 2009.

All shares in Del Toro Silver Corp. (“Del Toro”) are restricted from trading until July 7, 2011.

All shares in Gold American Mining Corp. (“Gold American”) are restricted from trading until May 6, 2011 (100,000 shares), July 6, 2011 (100,000 shares), and December 30, 2011 (100,000 shares).

Marketable securities held in escrow and restricted shares have been valued at the lower of cost or market value.

**5. OIL AND GAS INTERESTS**

During the year ended October 31, 2006, the Company acquired, for investment purposes, a 2.78% (one-half unit) interest in an oil and gas joint venture for cash consideration of \$52,598, at cost. The joint venture has an interest in two producing oil and gas wells located in Texas and Louisiana, United States. During the year ended October 31, 2010, the Company contributed an additional \$8,742.



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**6. EQUIPMENT**

January 31, 2011	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Office equipment	30,216	18,407	11,809
Computer equipment	8,958	6,447	2,511
	39,174	24,854	14,320

October 31, 2010	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Office equipment	30,216	18,103	12,113
Computer equipment	8,897	6,366	2,531
	39,113	24,469	14,644

**7. MINERAL PROPERTY INTERESTS**

(a) Urique Property, Mexico (Continued)

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

Stage 1 (to earn 60%)

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

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

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

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

By an agreement dated April 6, 2009, the Company renegotiated its remaining commitments with Exmin to purchase a 100% interest in 10 of 11 concessions in the Urique Property by paying Exmin US\$250,000 (paid) and issuing 1,000,000 common shares (issued). Under the terms of the agreement, the Company also took responsibility for accounts payable of US\$148,000 arising from past expenditures on this project. Exmin will retain a 2% net smelter returns (“NSR”) royalty.

By another 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 as follows:

- US\$8,000 on signing (paid);
- US\$20,000 on or before February 15, 2010 (paid);
- US\$20,000 on or before August 15, 2010 ;
- US\$20,000 on or before February 15, 2011;
- US\$20,000 on or before August 15, 2011; and
- US\$52,000 on or before February 15, 2012.

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.

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

(i) Pay the Company US\$800,000 as follows:

- US\$50,000 on signing (received);
- US\$250,000 on or before April 30, 2011;
- US\$250,000 on or before April 30, 2012; and
- US\$250,000 on or before April 30, 2013.

(ii) Incurring or funding expenditures of US\$2,600,000 as follows:

- US\$300,000 on or before April 30, 2010, of which US\$250,000 has been received and is included as expense recoveries;
- US\$500,000 on or before April 30, 2011;
- US\$800,000 on or before April 30, 2012; and
- US\$1,000,000 on or before April 30, 2013.

(iii) Pay the Company an additional US\$360,000, or issue the equivalent value in shares of AMNP, as follows:

- US\$50,000 upon successful completion of NI 43-101 technical report (received);

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- US\$50,000 upon starting the drilling program on or before August 1, 2009 (received);
  - US\$50,000 upon successful completion of first year work program on or before April 30, 2010 (100,000 shares of AMNP received in lieu of this cash payment, at a deemed price of US\$0.43 per share, for total proceeds of US\$43,000) ;
  - US\$70,000 on or before April 30, 2011;
  - US\$70,000 on or before April 30, 2012; and
  - US\$70,000 on or before April 30, 2013.
- (iv) To earn the additional 10%, AMNP is required to issue 500,000 shares to the Company, complete sufficient drilling to support a resource 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 has 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 January 19, 2011, the Company acquired by staking, 180 hectares of land contiguous to the Urique Property.

(b) Carol-Balde Property, Mexico

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

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

The underlying Optionor has retained a 3% NSR royalty that can be purchased by the Company for US\$750,000.

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

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 may earn a 100% interest in the property by paying the Company a \$25,000 refundable amount at the time of signing of LOI (received), paying \$25,000 at the time of signing of a definitive agreement, and by spending \$300,000 in mineral property expenditures and issuing 500,000 common shares as follows:

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

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 Property and, accordingly, \$37,643 in accumulated capitalized exploration expenditures were written off.

(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;

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- 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 \$565,000 through to December 1, 2010. The Company is currently in negotiations with the Optionor to amend the current agreement, and the outcome of those negotiations is not known at this time. Should the Company be unable to negotiate terms satisfactory to both parties, the Company may be required to write-off the property costs.

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:

- (i) Cash payments totaling \$50,000 as follows:
  - \$10,000 on signing of a LOI (paid); and
  - \$40,000 on regulatory approval (paid).
- (ii) Issuance of 800,000 of the Company's common shares as follows:
  - 300,000 common shares upon regulatory approval (issued);
  - 250,000 common shares by February 11, 2009 (issued); and
  - 250,000 common shares by February 11, 2010 (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 may acquire a 100% interest in consideration of:

Cash payments totaling \$200,000 as follows:

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

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

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

Payment of taxes totaling MX114,232 as follows:

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

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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 (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.

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

Cash payments totaling \$200,000 as follows:

- \$10,000 on or before January 9, 2010 (paid);
- \$15,000 on or before July 9, 2010 (paid);
- \$15,000 on or before January 9, 2011 (subsequently paid);
- \$20,000 on or before July 9, 2011;
- \$20,000 on or before January 9, 2012;
- \$40,000 on or before July 9, 2012; and
- \$80,000 on or before December 9, 2012.

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 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;
- 100,000 common shares on or before January 9, 2012;
- 100,000 common shares on or before July 9, 2012; and
- 400,000 common shares on or before December 9, 2012.

(e) Los Amoles

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

On November 26, 2010, the Company signed an Agreement with Nature's Call Brands Inc. ("NCBI") to allow NCBI to earn a 70% interest in the Los Amoles Property.

To earn a 70% interest in the Los Amoles property, NCBI will be required to spend US\$900,000 on exploration expenditures and issue a total of 1,000,000 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:

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

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

- (iii) US\$200,000 on or before the first anniversary of the Effective Date;
- (iv) US\$300,000 on or before the second anniversary of the Effective Date; and
- (v) US\$400,000 on or before the third anniversary of the Effective Date.

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

- (vi) 200,000 common shares on signing of this Agreement (received);
- (vii) 200,000 common shares within six months of the Effective Date;
- (viii) 200,000 common shares on or before the first anniversary of the Effective Date;
- (ix) 200,000 common shares on or before the second anniversary of the Effective Date; and
- (x) 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.

(g) Zacatecas Property, Mexico

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

Stage 1 (to earn 65%)

By making the following cash payments:

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

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

- Issuing, at the Optionor's discretion, either US\$125,000 or the equivalent value in the Company's shares (not exercised).

During the year ended October 31, 2008, the Company entered into an agreement with Apex Silver Mines Limited ("Apex") whereby Apex purchased the Company's rights under the above agreement with IMPACT to a 65% interest in one claim within the Zacatecas Property, San Sabino, for proceeds of US\$139,408 (received). In addition, the Company will be paid an additional US\$250,000 if Apex or its affiliates include San Sabino in a positive feasibility study for a mine producing more than 500 tonnes of ore per day or as part of an executed mining plan producing greater than 500 tonnes of ore per day. The Company will retain this right in perpetuity.

During the year ended October 31, 2008, the Company entered into an agreement with Silver Sun (formerly Enviro Energy Capital Corp.) whereby Silver Sun acquired the Company's rights under the above agreement with IMPACT to a 65% interest in the remaining three claims within the Zacatecas Property for cash payments totaling \$150,000 (\$50,000 received), the issuance of 500,000 shares of Silver Sun (410,000 shares received and 90,000 shares held in escrow of which 30,000 were received subsequent to the year-end), and a commitment from Silver Sun to spend a minimum of \$200,000 within 13 months (incurred). The Company will remain the operator on these properties until such time as Silver Sun fulfills its remaining obligations under the agreement.

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

During the year ended October 31, 2010, the agreement with Silver Sun was amended and, pursuant to the amendment, cash payments requirement from Silver Sun totaling \$100,000 (total requirement of \$150,000 less \$50,000 received) were eliminated.

During the year ended October 31, 2010, Silver Sun completed all of its obligations and has taken over as the operator of the property. As such, the Company has no further interest in the property and \$2,624 in accumulated capitalized exploration expenditures was written off.

(h) 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.



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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.

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 \$20,649 (2010: \$213,775) have been included as exploration recoveries on the consolidated statements of operations.

(i) 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).

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

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

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

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

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

Del Toro will have the right to purchase its interest in the property for \$17,500 after the end of July 7, 2012.

In July 2010, the Company renegotiated the overall agreement in consideration of 150,000 shares of Del Toro (received) to change the schedule of funding exploration expenditures totaling \$800,000 to:

- \$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 to change the schedule of funding exploration expenditures totaling to \$800,000 on or before July 7, 2013. Del Toro's option to purchase its interest in the property for \$17,500 after the end of July 7, 2012 was also terminated.

Recoveries in excess of property expenditures in the amount \$38,268 (2010: \$70,306) have been included as exploration recoveries on the consolidated statements of operations.

(j) 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.

(k) 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.

(l) 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

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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.

(m) Title to mineral property interests

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

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**7. MINERAL INTERESTS (Continued)**

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

	Urique	Carol-Balde	La Verde Grande	Dos Naciones	Oro Fino	Los Amoles	Tenoriba	Guadalupe	Apache	Total
Balance, October 31, 2010	\$ 1,115,115	\$ 188,213	\$ 1,092,177	\$ 1	\$ 305,508	\$ 210,348	\$ 54,736	\$ 1	\$ 0	\$ 2,966,099
Additions during the year										
Acquisition costs	0	0	0	0	92,775	4,081	0	31,369	262,500	390,725
Assay	0	0	0	1,091	876	0	1,779	0	0	3,746
Camp and exploration support	3,673	3,689	6,534	3,673	3,689	3,673	3,538	0	0	28,469
Geophysical consulting	0	0	0	0	0	0	0	0	0	0
Geological consulting	0	0	0	0	0	0	0	0	0	0
Geological fieldwork	0	0	16	0	0	81	163	0	0	260
Materials and supplies	0	0	119	0	72	699	0	0	0	890
Reports, drafting and maps	0	0	0	0	0	0	0	0	0	0
Taxes	39,340	0	8,433	4,905	0	0	11,361	0	0	64,039
Travel	0	1,186	131	0	169	835	962	0	0	3,283
Total costs during the period	43,013	4,875	15,233	9,669	97,581	9,369	17,803	31,369	262,500	491,412
Recoveries	0	0	0	(9,669)	(20,000)	(72,446)	0	(31,369)	0	(133,484)
Net additions during the period	43,013	4,875	15,233	0	77,581	(63,077)	17,803	0	262,500	357,928
	1,158,128	193,088	1,107,410	1	383,089	147,271	72,539	1	262,500	3,324,027
Mineral interests written down	0	0	0	0	0	0	0	0	0	0
Balance, January 31, 2011	\$ 1,158,128	\$ 193,088	\$ 1,107,410	\$ 1	\$ 383,089	\$ 147,271	\$ 72,539	\$ 1	\$ 262,500	\$ 3,324,027

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**7. MINERAL INTERESTS (Continued)**

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

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

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**8. CAPITAL STOCK**

Authorized

Unlimited number of common shares without par value

**(a) Private placements**

There have been no private placements during the year to date.

**(b) Warrants exercised for cash**

During the current year to date, 6,024,500 warrants were exercised for gross proceeds of \$602,450

**(b) Property payments**

The Company issued 100,000 of its shares at a deemed price of \$0.075 per share, for a total value of \$7,500, for the acquisition of the Oro Fino (Note 7(d)).

The Company issued 2,500,000 of its shares at a deemed price of \$0.105 per share, for a total value of \$262,500, for the acquisition of the Apache Property (Note 7(j)).

The Company issued 100,000 of its shares at a deemed price of \$0.10 per share, for a total value of \$10,000, for the acquisition of the Oro Fino Property (Note 7(d)).

**(c) Stock options**

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

	<b>January 31, 2011</b>		<b>October 31, 2010</b>	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Opening balance	3,445,000	\$0.11	3,265,000	\$0.12
Granted	1,500,000	\$0.10	800,000	\$0.10
Cancelled	Nil	\$0.00	(540,000)	\$0.10
Expired	(150,000)	\$0.25	(80,000)	\$0.30
Ending balance	4,795,000	\$0.10	3,445,000	\$0.11

Stock options outstanding and exercisable at January 31, 2011 are as follows:

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Options Outstanding			Options Exercisable	
Number of Shares	Expiry Date	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
895,000	November 26, 2011	\$0.10	895,000	\$0.10
150,000	April 19, 2012	\$0.10	150,000	\$0.10
1,950,000	September 29, 2012	\$0.10	1,950,000	\$0.10
100,000	February 21, 2013	\$0.10	100,000	\$0.10
200,000	June 20, 2013	\$0.10	200,000	\$0.10
1,500,000	January 23, 2014	\$0.10	200,000	\$0.10
<b>4,795,000</b>		<b>\$0.10</b>	<b>4,795,000</b>	<b>\$0.10</b>

(e) **Share purchase warrants**

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

Exercise Price	Expiry Date	Outstanding at October 31, 2010	Issued / Amended	Exercised	Expired	Amended	Outstanding at January 31, 2011
\$0.10	December 18, 2010	2,751,500	0	1,120,000	1,631,500	0	0
\$0.10	January 22, 2011	5,765,000	0	4,154,500	1,610,500	0	0
\$0.10	February 2, 2011*	935,000	0	750,000	0	0	185,000
		<b>9,451,500</b>	<b>0</b>	<b>6,024,500</b>	<b>3,242,000</b>	<b>0</b>	<b>185,000</b>

\* subsequently expired unexercised

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

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

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(f) **Stock-based compensation**

During the period ended January 31, 2011, the Company granted stock options to acquire up to an aggregate of 1,500,000 common shares to directors, officers, and consultants.

The fair value of stock options granted and vested during the year in the amount of \$128,850 would be allocated \$103,510 to management fees and \$25,340 to consultants' fees.

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

Risk-free interest rate	1.43%
Expected dividend yield	0
Expected stock price volatility	151.10%
Expected option life in years	3.00

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



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**9. RELATED PARTY TRANSACTIONS**

- a) Consulting fees of \$18,000 (2010 - \$18,000) were paid to a company controlled by the President of the Company.
- b) Management fees of \$15,000 (2010 - \$15,000) were paid to the Chief Financial Officer of the Company.
- c) Office service fees totaling \$6,000 (2010 - \$6,000) were paid to a corporation controlled by the Corporate Secretary of the Company.

**10. SEGMENTED INFORMATION**

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

	January 31, 2011 \$	October 31, 2010 \$
Canada	696,785	407,730
United States of America	31,111	33,611
Mexico	3,519,506	3,157,858
	4,247,402	3,599,199

**11. SUBSEQUENT EVENTS**

- (a) 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 Property (note 7(b)).

To earn a 70% interest, 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:

- (i) \$25,000 upon acceptance of the LOI (received subsequently);
- (ii) \$25,000 upon signing of the Option Agreement (received subsequently);
- (iii) \$50,000 within 6 months of signing the Option Agreement;
- (iv) \$50,000 within 12 months of signing the Option Agreement;
- (v) \$50,000 within 24 months of signing the Option Agreement;
- (vi) \$50,000 within 36 months of signing the Option Agreement; and
- (vii) \$100,000 within 48 months of signing the Option Agreement.

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

- (i) \$100,000 within 6 months of signing the Option Agreement;
- (ii) \$100,000 within 12 months of signing the Option Agreement;
- (iii) \$350,000 within 24 months of signing the Option Agreement;

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- (iv) \$500,000 within 36 months of signing the Option Agreement; and
- (v) \$650,000 within 48 months of signing the Option Agreement.

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

- (b) The Company acquired, by staking, an additional 1,960 hectares of land contiguous to its Los Amoles Property.