

# **Yorbeau Resources Inc.**

**Financial Statements**  
**(Unaudited)**  
**For the period ended**  
**June 30, 2005**

# Yorbeau Resources Inc.

## Balance Sheets

	<u>June 30</u> <u>2005</u> <u>(Unaudited)</u> <u>\$</u>	<u>December 31</u> <u>2004</u> <u>(Audited)</u> <u>\$</u>
<b>ASSETS</b>		
Current assets:		
Cash	33,935	259,326
Tax receivable	368,810	491,627
Prepaid expenses	18,291	13,425
	<u>421,036</u>	<u>764,378</u>
Mining and exploration assets	7,362,679	7,170,989
	<u>7,783,715</u>	<u>7,935,367</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	242,681	84,029
Shareholders' equity		
Capital stock (Issued: 89,875,501)	22,270,295	22,270,295
Contributed surplus	350,333	259,399
Deficit	(15,079,594)	(14,678,356)
	<u>7,541,034</u>	<u>7,851,338</u>
	<u>7,783,715</u>	<u>7,935,367</u>

# Yorbeau Resources Inc.

## Statements of Operations and Deficit

(Unaudited)

	For three months ended June 30		For six months ended June 30	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Interest revenue</b>	<b>241</b>	4,647	<b>484</b>	11,045
<b>Expenses</b>				
Administrative charges	<b>146,987</b>	141,206	<b>274,563</b>	239,323
Cost of options	<b>73,667</b>	73,667	<b>90,934</b>	73,667
Property maintenance	<b>4,686</b>	6,360	<b>13,573</b>	10,838
Tax on capital	<b>11,265</b>	22,443	<b>22,530</b>	30,165
Financial expenses	<b>15</b>	144	<b>122</b>	144
	<b>236,620</b>	243,820	<b>401,722</b>	354,137
<b>Loss for the period</b>	<b>(236,379)</b>	(239,173)	<b>(401,238)</b>	(343,092)
<b>Deficit - beginning of period</b>	<b>(14,843,215)</b>	(14,102,664)	<b>(14,678,356)</b>	(13,998,745)
<b>Deficit - end of period</b>	<b>(15,079,594)</b>	(14,341,837)	<b>(15,079,594)</b>	(14,341,837)
<b>Net loss per share, basic and diluted</b>	<b>(0.01)</b>	(0.01)	<b>(0.01)</b>	(0.01)

# Yorbeau Resources Inc.

## Statements of Cash Flows

(Unaudited)

	For three months ended June 30		For six months ended June 30	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Cash flows from operating activities:</b>				
Net loss for the period	(236,379)	(239,173)	(401,238)	(343,092)
Cost of options	73,667	73,667	90,934	73,667
Changes in non-cash operating working capital:				
Tax receivable	139,691	253,142	122,817	319,220
Prepaid expenses	(2,716)	(15,853)	(4,866)	(17,805)
Accounts payable and accrued liabilities	96,423	65,374	158,652	(413,127)
	<b>233,398</b>	<b>302,663</b>	<b>276,603</b>	<b>(111,712)</b>
	<b>70,686</b>	<b>137,157</b>	<b>(33,701)</b>	<b>(381,137)</b>
<b>Cash flows from investing activities:</b>				
Mining and exploration assets (net from mining duties and resource tax credits \$173,847 (\$170,053 in 2004))	(155,933)	36,886	(191,690)	(327)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(85,247)</b>	<b>174,043</b>	<b>(225,391)</b>	<b>(381,464)</b>
<b>Cash and cash equivalents beginning of period</b>	<b>119,182</b>	<b>1,010,640</b>	<b>259,326</b>	<b>1,566,147</b>
<b>Cash and cash equivalents end of period</b>	<b>33,935</b>	<b>1,184,683</b>	<b>33,935</b>	<b>1,184,683</b>

# YORBEAU RESOURCES INC.

Notes to the quarterly financial statements for the six months ended June 30, 2005  
(Unaudited)

---

## 1. Significant accounting policies:

The quarterly financial statements of Yorbeau Resources Inc. (the "Company") have been prepared following the same accounting policies and methods as the annual financial statements of the Company for the year ended December 31, 2004. Accordingly, these financial statements should be read in conjunction with the most recent annual financial statements.

## 2. Capital stock:

Authorized:

An unlimited number of Class A common shares, without nominal value or par value

	<u>Issued</u>	<u>Value</u>
December 31, 2004	89,875,501	\$ 22,270,295
Issuance during the period	none	none
June 30, 2005	89,875,501	\$ 22,270,295

### Stock option plan:

On June 15, the shareholders of the Company amended the option plan and increased the number of shares which may be issued under the plan by an additional 5,000,000 shares. As at June 30, 2005, options on 3,950,000 shares have been granted out of a total of 9,214,498 Class A common shares which have been reserved for future issuance.

During the period, 200,000 options were granted under the Company's option plan. These options vest over a three year period. The fair value of each option granted during the period was determined using the Black-Scholes option pricing model. At the date of the grant, the fair value of stock options granted was \$0.259 per option. The following assumptions were used in the calculation:

---

Risk-free interest rate	4.25%
Expected life	3 years
Expected volatility	87%
Expected dividend yield	\$ 0.00

---

# YORBEAU RESOURCES INC.

Notes to the quarterly financial statements for the six months ended June 30, 2005  
(Unaudited)

The number of stock options outstanding fluctuated as follows:

	<u>Number of options</u>	<u>Weighted average exercise price</u>
Options outstanding as at December 31, 2004	3,750,000	\$0.20
Granted during the period	200,000	\$0.45
Expired during the period	none	-
Options outstanding as at June 30, 2005	3,950,000	\$0.21

As at June 30, 2005, the following options were outstanding:

- 2,350,000 shares at \$0.155 per share until July 19, 2008
- 100,000 shares at \$0.185 per share until September 14, 2008
- 1,300,000 shares at \$0.275 per share until June 21, 2009
- 200,000 shares at \$0.45 per share until February 15, 2010

### 3. Mining and exploration assets:

	Net book value December 31, 2004	Additions	Mining and resources tax credits	Net book value June 30, 2005
Mining and exploration Assets				
Astoria property	6,390,415	365,537	148,933	6,607,019
Beschefer property	780,574	-	24,914	755,660
	7,170,989	365,537	173,847	7,362,679

### 4. Related party transactions and accounts:

Legal services were rendered to Yorbeau in the amount of \$102,025 (\$78,725 in 2004) by a legal firm, in which a director and shareholder of Yorbeau is a partner. As at June 30, 2005, the accounts payable include \$ 62,304 (\$92,077 in 2004) payable to this legal firm.

“Administrative charges” in the Statement of Operations and Deficit includes a sum of \$25,000 paid as a royalty to Société Minière Alta Inc., of which the president of Yorbeau is the sole shareholder.

Additions of mining and exploration assets include an amount of \$4,640 (\$13,500 in 2004) charged by a director in connection with consulting services rendered.

## **YORBEAU RESOURCES INC.**

Notes to the quarterly financial statements for the six months ended June 30, 2005  
(Unaudited)

---

In addition, consulting services were charged to Yorbeau in the amount of \$41,312 (nil in 2004) by a numbered company, in which a director and shareholder of Yorbeau is the president as well as controlling shareholder. As at June 30, 2005, the accounts payable include \$10,824 (nil in 2004) payable to this company.

These transactions are recorded at their exchange value.