

# **Yorbeau Resources Inc.**

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

# Yorbeau Resources Inc.

## Balance Sheets

	September 30 2005 (Unaudited) \$	December 31 2004 (Audited) \$
<b>ASSETS</b>		
Current assets:		
Cash	19,226	259,326
Tax receivable	254,134	491,627
Prepaid expenses	11,839	13,425
	<u>285,199</u>	<u>764,378</u>
Mining and exploration assets	7,380,675	7,170,989
	<u>7,665,874</u>	<u>7,935,367</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	278,834	84,029
Shareholders' equity		
Capital stock (Issued: 89,875,501)	22,270,295	22,270,295
Contributed surplus	483,534	259,399
Deficit	(15,366,789)	(14,678,356)
	<u>7,387,040</u>	<u>7,851,338</u>
	<u>7,665,874</u>	<u>7,935,367</u>

# Yorbeau Resources Inc.

## Statements of Operations and Deficit

(Unaudited)

	For three months ended September 30		For nine months ended September 30	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Interest revenue</b>	<b>100</b>	2,213	<b>584</b>	13,258
<b>Expenses</b>				
Administrative charges	87,138	100,910	361,701	340,233
Cost of options	133,201	92,232	224,135	165,899
Tax on capital	12,209	12,495	34,739	42,660
Property maintenance	7,865	5,988	21,438	16,826
Financial expenses	82	52	204	196
	<b>240,495</b>	211,677	<b>642,217</b>	565,814
<b>Loss for the period</b>	<b>(240,395)</b>	(209,464)	<b>(641,633)</b>	(552,556)
<b>Deficit - beginning of period</b>	<b>(15,079,594)</b>	(14,341,837)	<b>(14,678,356)</b>	(13,998,745)
Share issue expenses	(46,800)	-	( 46 800)	-
<b>Deficit - end of period</b>	<b>(15,366,789)</b>	(14,551,301)	<b>(15,366,789)</b>	(14,551,301)
<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 September 30		For nine months ended September 30	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Cash flows from operating activities:</b>				
Net loss for the period	(240,395)	(209,464)	(641,633)	(552,556)
Cost of options	133,201	92,232	224,135	165,899
Changes in non-cash operating working capital:				
Tax receivable	114,676	(148,232)	237,493	170,988
Prepaid expenses	6,452	7,860	1,586	(9,945)
Accounts payable and accrued liabilities	36,153	(24,731)	194,805	(437,858)
	<b>157,281</b>	<b>(165,103)</b>	<b>433,884</b>	<b>(276,815)</b>
	<b>50,087</b>	<b>(282,335)</b>	<b>16,386</b>	<b>(663,472)</b>
<b>Cash flows from investing activities:</b>				
Mining and exploration assets (net of mining duties and resource tax credits \$207,484 (\$301,657 in 2004))	(17,996)	(169,881)	(209,686)	(170,208)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(14,709)</b>	<b>(452,216)</b>	<b>(240,100)</b>	<b>(833,680)</b>
<b>Cash and cash equivalents beginning of period</b>	<b>33,935</b>	<b>1,184,683</b>	<b>259,326</b>	<b>1,566,147</b>
<b>Cash and cash equivalents end of period</b>	<b>19,226</b>	<b>732,467</b>	<b>19,226</b>	<b>732,467</b>

# YORBEAU RESOURCES INC.

Notes to the quarterly financial statements for the nine months ended September 30, 2005  
(Unaudited)

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## 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
September 30, 2005	89,875,501	\$ 22,270,295

### Stock option plan:

On June 15, 2005, 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 September 30, 2005, options on 5,050,000 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, 1,300,000 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 grants, the fair value of stock options granted were between \$0.111 and \$0.259 per option. The following assumptions were used in the calculation:

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Risk-free interest rate	4.25%
Expected life	3 years
Expected volatility	73 - 87%
Expected dividend yield	\$ 0.00

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## YORBEAU RESOURCES INC.

Notes to the quarterly financial statements for the nine months ended September 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	1,300,000	\$0.28
Expired during the period	none	-
Options outstanding as at September 30, 2005	5,050,000	\$0.22

As at September 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
- 1,100,000 shares at \$0.25 per share until August 11, 2010

### 3. Mining and exploration assets:

	Net book value December 31, 2004	Additions	Mining and resources tax credits	Net book value September 30, 2005
Mining and exploration Assets				
Rouyn property	6,390,415	417,170	175,056	6,632,529
Beschefer property	780,574	-	32,428	748,146
	7,170,989	417,170	207,484	7,380,675

### 4. Related party transactions and accounts:

Legal services in connection with administrative and financing activities were rendered to Yorbeau in the amount of \$163,350 (\$78,725 in 2004) by a legal firm, in which a director and shareholder of Yorbeau is a partner. As at September 30, 2005, the accounts payable include \$138,482 (nil in 2004) payable to this legal firm.

"Administrative charges" in the Statement of Operations and Deficit includes a sum of \$37,500 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 (\$23,420 in 2004) charged by a director in connection with consulting services rendered.

# YORBEAU RESOURCES INC.

Notes to the quarterly financial statements for the nine months ended September 30, 2005  
(Unaudited)

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In addition, consulting services were charged to Yorbeau in the amount of \$60,562 (\$17,235 in 2004) by a numbered company, in which a director and shareholder of Yorbeau is the president as well as controlling shareholder. As at September 30, 2005, the accounts payable include \$13,605 (\$8,138 in 2004) payable to this company.

These transactions are recorded at their exchange value.

## **5. Subsequent events**

On November 4, 2005, Groupe Pénélope Inc., a company controlled by G. Bodnar Jr., the President of the Company, advanced a sum of \$100,000 to the Company. This loan bears interest at the rate of 8% per annum, is unsecured and is repayable on demand.

The Company has issued a total of 89,875,501 rights to its shareholders of record at the close of business on November 7, 2005. Each eligible shareholder under the offering received one right for each Class A common share held. Twenty rights entitle the holder thereof to purchase one Unit of the Company at a price of \$0.75 until 4:00 p.m. on December 1, 2005. Each Unit is comprised of two flow-through Class A common shares and one Class A common share of the Company.