



Financial Statements of

YORBEAU RESOURCES INC.

Years ended December 31, 2007 and 2006



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of Yorbeau Resources Inc. as at December 31, 2007 and 2006 and the statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Montréal, Canada

February 28, 2008

YORBEAU RESOURCES INC.

Financial Statements

Years ended December 31, 2007 and 2006

Financial Statements

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YORBEAU RESOURCES INC.

Balance Sheets

December 31, 2007 and 2006

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,183,501	\$ 343,303
Taxes receivable (note 4)	256,738	165,526
Prepaid expenses and deposits	69,606	47,394
	<u>1,509,845</u>	<u>556,223</u>
Mining and exploration assets (note 5)	11,399,333	9,236,107
	<u>\$ 12,909,178</u>	<u>\$ 9,792,330</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 450,649	\$ 789,515
Shareholders' equity:		
Capital stock (note 6)	29,635,629	24,798,629
Contributed surplus (note 7)	964,602	629,818
Deficit	<u>(18,141,702)</u>	<u>(16,425,632)</u>
	12,458,529	9,002,815
	<u>\$ 12,909,178</u>	<u>\$ 9,792,330</u>

See accompanying notes to financial statements.

On behalf of the Board:

(s) David Crevier _____ Director

(s) G. Bodnar Jr. _____ Director

YORBEAU RESOURCES INC.

Statements of Operations, Comprehensive Loss and Deficit

Years ended December 31, 2007 and 2006

	2007	2006
Interest revenue and other	\$ 86,427	\$ 46,023
Expenses:		
Administrative charges	753,319	671,792
Stock-based compensation (note 7)	299,915	146,284
Tax on capital	74,489	46,634
Property maintenance	11,120	18,536
Financial expenses	14,825	32,068
	1,153,668	915,314
Net loss and comprehensive loss	(1,067,241)	(869,291)
Deficit, beginning of year	(16,425,632)	(15,551,800)
Shares issue expense	(648,829)	(4,541)
Deficit, end of year	\$ (18,141,702)	\$ (16,425,632)
Net loss per share, basic and diluted	\$ (0.01)	\$ (0.01)

See accompanying notes to financial statements.

YORBEAU RESOURCES INC.

Statements of Cash Flows

Years ended December 31, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Net loss	\$ (1,067,241)	\$ (869,291)
Stock-based compensation	299,915	146,284
Changes in non-cash operating working capital:		
Taxes receivable	(91,212)	126,634
Prepaid expenses	(22,212)	(26,636)
Accounts payable and accrued liabilities	(338,866)	572,495
	(1,219,616)	(50,514)
Cash flows from financing activities:		
Issuance of capital stock	4,726,250	353,334
Share issue expenses	(503,210)	(4,541)
	4,223,040	348,793
Cash flows from investing activities:		
Mining and exploration assets (net from mining duties and resource tax credits of \$291,874 (2006 - \$45,178))	(2,163,226)	(1,782,152)
Net increase (decrease) in cash and cash equivalents	840,198	(1,483,873)
Cash and cash equivalents, beginning of year	343,303	1,827,176
Cash and cash equivalents, end of year	\$ 1,183,501	\$ 343,303
Cash and cash equivalents are composed of cash and short-term investments, maturing within 90 days and are detailed as follows:		
Cash and deposits - 2.9% (2006 - 2.47% to 4.16%)	\$ 1,183,501	\$ 343,303
Additional information concerning amounts paid during the year:		
Non-cash financing activity:		
Share issue expenses representing cost of compensation warrants	145,619	-

See accompanying notes to financial statements.

YORBEAU RESOURCES INC.

Notes to Financial Statements

Years ended December 31, 2007 and 2006

Yorbeau Resources Inc. ("Yorbeau" or the "Company") is incorporated under the laws of the Province of Québec. The Company owns mining and exploration properties in the Province of Québec.

1. Basis of presentation:

These financial statements have been prepared on the going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The application of the going concern concept is dependent on the Company's ability to generate future profitable operations and to issue capital stock.

2. Change in accounting policies:

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, *Comprehensive Income*, Section 3251, *Equity*, Section 3855, *Financial Instruments - Recognition and Measurement* and Section 3865, *Hedging*. Changes in accounting policies in conformity with these new accounting standards are as follows:

(a) Comprehensive income:

Section 1530 introduces the concept of comprehensive income, which is calculated by including other comprehensive income with net income. Other comprehensive income represents changes in shareholders' equity arising from transactions and other events with non-owner sources, such as unrealized gains and losses on financial assets classified as available-for-sale. The adoption of this section had no material impact on the Company's financial statements.

(b) Equity:

Section 3251 establishes standards for the presentation of equity and change in equity during the reporting period and requires the Company to present separately equity components and changes in equity arising from (i) net earnings (loss); (ii) other comprehensive income (loss); (iii) other changes in retained earnings; (iv) changes in contributed surplus and (v) changes in capital stock.

YORBEAU RESOURCES INC.

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

2. Change in accounting policies (continued):

(c) Financial instruments:

Sections 3855 and 3865 establish standards for recognizing and measuring financial assets, financial liabilities and derivatives. Under these standards, financial instruments are now classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities and measurement in subsequent periods depends on their classification. Transaction costs are expensed as incurred for financial instruments classified as held-for-trading. For other financial instruments, transaction costs are capitalized on initial recognition and presented as an adjustment to the underlying financial instruments. Financial assets and financial liabilities held-for-trading are measured at fair value with changes recognized in income. Available-for-sale financial assets are measured at fair value or at cost, in the case of financial assets that do not have a quoted market price in an active market, and changes in fair value are recorded in comprehensive income.

Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization. The Company has classified its cash and short-term investments as held-for-trading. Accounts receivable were classified as loans and receivable. All of the Company's financial liabilities were classified as other financial liabilities.

Upon adoption of these new sections, the transition rules require that the Company adjusts either the opening deficit or accumulated other comprehensive income as if the new rules had always been applied in the past, without restating comparative figures of prior years. No such adjustments were necessary. Finally, the adoption of the new standards had no material impact on the net loss for the year ended December 31, 2007.

(d) Future accounting pronouncements:

In December 2006, the CICA published three new accounting standards: Section 1535 *Capital Disclosures*; Section 3862 *Financial Instruments - Disclosures*; and Section 3863 *Financial Instruments - Presentation*. These new standards will apply to the Company effective January 1, 2008.

Sections 1535 establishes disclosure requirements concerning (a) an entity's objectives, policies and processes for managing capital; (b) the quantitative data about what the entity regards as capital; and (c) whether the entity has complied with any capital requirements and the consequences of non-compliance with such capital requirements.

YORBEAU RESOURCES INC.

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

2. Change in accounting policies (continued):

(d) Future accounting pronouncements (continued):

Sections 3862 and 3863 consist of a comprehensive series of disclosure requirements and presentation rules applicable to financial instruments. They revise and enhance the disclosure requirements set out in Section 3861 Financial Instruments - Disclosure and Presentation and carry forward unchanged the presentation requirements of Section 3861.

Section 3862 establishes disclosure requirements that enable users of financial statements to evaluate the significance of financial instruments for an entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

3. Significant accounting policies:

(a) Cash and cash equivalents:

Cash and cash equivalents include temporary investments with a maturity date of three months or less from the date of purchase, and are stated at cost, which approximates market value. The major components of cash and cash equivalents are as follows:

	2007	2006
Cash	\$ 393,609	\$ 343,303
Cash - exploration fund	789,892	-
	<u>\$ 1,183,501</u>	<u>\$ 343,303</u>

Exploration fund is restrictive for the purpose of exploration expenses.

(b) Mining and exploration assets:

Mining assets consist of deferred expenditures and development costs related to property for which economically recoverable reserves exist. Mining assets are, upon commencement of production, depleted over the estimated life of the ore reserve to which they relate or are written off if the property is abandoned or when the fair value exceeds its carrying value.

YORBEAU RESOURCES INC.

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

3. Significant accounting policies (continued):

(b) Mining and exploration assets (continued):

Exploration assets are carried at cost. Exploration and development expenses relating to a non-producing property are deferred until the property is brought into production or abandoned. If exploration work does not provide positive results or upon abandonment, these costs are charged to earnings. Management reviews the carrying values of assets on a regular basis to determine whether depreciation is required.

Recovery of the cost of mining and exploration assets depends on the discovery of economically recoverable ore reserves (for the exploration assets), the Company's ability to obtain the necessary financing to complete the exploration and development of the properties and future profitable production or the disposal of the properties for proceeds in excess of their carrying value.

(c) Stock option plan:

The Company uses the fair value method based on the Black-Scholes pricing model to record the compensation cost related to the issue of stock options to its participants over the vesting period with a corresponding credit to the contributed surplus.

(d) Income and mining taxes:

The Company uses the asset and liability method of accounting for income taxes.

Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company renounces tax deductions relating to resource expenditures that are financed by the issuance of flow-through shares for the benefit of the subscribers thereof, as permitted by the tax legislation.

Under the asset and liability method used to account for income taxes, future income taxes related to the temporary differences created by this renouncement are recorded in accordance with EIC-146 when the Company renounces these deductions and a corresponding cost of issuing the securities is also recorded.

YORBEAU RESOURCES INC.

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

3. Significant accounting policies (continued):

(e) Resource tax credits and mining rights:

The Company incurs exploration expenses that are eligible for tax credits. The tax credits are recorded based on the estimated amounts to be recovered. The amounts claimed are subject to an audit by the tax authorities.

Tax credits on exploration costs relating to mining and exploration assets are deducted from the related asset.

(f) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of estimates relate to assessing the realizable values of mining and exploration assets. Consequently, actual results could differ from those estimates.

4. Taxes receivable:

	2007	2006
Sales tax and other	\$ 61,163	\$ 121,886
Resource tax credits	155,631	11,632
Mining duties recovery	39,944	32,008
	\$ 256,738	\$ 165,526

YORBEAU RESOURCES INC.

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

5. Mining and exploration assets:

				2007	2006
	Balance, beginning of year	Additions	Mining and resource tax credits	Net book value	Net book value
Mining and exploration assets:					
Rouyn property (net of accumulated depletion of \$2,411,831)	\$ 8,479,617	\$ 2,450,900	\$ 291,874	\$ 10,638,643	\$ 8,479,617
Beschefer property	756,490	4,200	-	760,690	756,490
	\$ 9,236,107	\$ 2,455,100	\$ 291,874	\$ 11,399,333	\$ 9,236,107

(a) Rouyn property:

Yorbeau owns a 100% interest in the Rouyn property which is located in the Rouyn and Beauchastel Townships, Quebec. The Rouyn property is composed of two mining leases, one mining concession and a group of 81 mining claims. Twelve of these mining claims are subject to a \$50,000 per annum royalty payable to Société Minière Alta Inc., a company controlled by a director of Yorbeau.

(b) Beschefer property:

In 2002, Yorbeau entered into an agreement with Explorers Alliance Corporation ("Explorers"), pursuant to which Yorbeau acquired from Explorers an 80% interest in 149 mining claims in consideration of the issuance to Explorers of 350,000 Class A common shares of Yorbeau. In 2005, Yorbeau abandoned 12 of these claims. The Company also has the option to acquire, at any time, the remaining 20% interest held by Explorers in the property in consideration of either a cash payment of \$500,000 or the issuance to Explorers of 1,800,000 additional Class A common shares of Yorbeau, as determined by Explorers.

The Beschefer property consists of 257 claims located in the Bapst and Beschefer Townships. Yorbeau owns a 100% interest in 120 of these claims and an 80% interest in the remaining claims.

YORBEAU RESOURCES INC.

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

5. Mining and exploration assets (continued):

(c) Ellison property:

In 2002, Yorbeau entered into an agreement with Agnico-Eagle Mines Limited ("Agnico"), pursuant to which Yorbeau transferred to Agnico all of its interests in the Ellison property in consideration of a cash payment of \$1,000,000, of which \$500,000 was paid on closing and \$500,000 is payable upon commencement of commercial production. Yorbeau also retains a net smelter return royalty on the Ellison property ranging from 1.5% to 2.5%, based on the current gold price as established by the London Bullion Market Association.

6. Capital stock:

Authorized:

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

	2007	2006
Issued:		
113,177,286 common shares (2006 - 99,489,786)	\$ 29,635,629	\$ 24,798,629
Weighted average number of shares outstanding during the year	107,509,649	98,640,002

YORBEAU RESOURCES INC.

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

6. Capital stock (continued):

Issuance during the year:

	2007	2006
For cash:		
12,662,500 shares (2006 - 714,286) pursuant to private placement	\$ 4,565,000	\$ 300,000
1,025,000 shares (2006 - 199,999) pursuant to exercise of options (including cost of options of \$110,750 in 2007)	272,000	53,334
	<u>\$ 4,837,000</u>	<u>\$ 353,334</u>

The Company completed a private placement of units and flow-through shares which generated gross proceeds of \$4,565,000. A total of 12,662,500 common shares were issued, of which 6,412,500 were flow-through shares.

Share purchase warrants:

The Company has granted share purchase warrants in connection with financing and could be required to issue shares as follows:

- 3,125,000 shares at \$0.45 until December 6, 2008
- 1,266,250 shares at \$0.32 until December 6, 2008 (i)

(i) The Company accounted for its compensation warrants issued during the year (1,266,250 warrants) by using the Black-Scholes pricing model. At the date of the grant, the weighted average fair value of warrants granted was \$0.115 per warrant for a total value of \$145,619.

YORBEAU RESOURCES INC.

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

7. Stock option plan:

As at December 31, 2007, 7,989,499 Class A common shares were reserved for future issuances under the stock option plan for the benefit of the directors, employees and service providers of the Company.

The number of stock options outstanding fluctuated as follows:

			Weighted average exercise price	
	2007	2006	2007	2006
Balance, beginning of year	5,100,001	5,050,000	\$ 0.22	\$ 0.22
Granted	3,500,000	250,000	0.30	0.35
Exercised	(1,025,000)	(199,999)	0.16	0.27
Expired	(1,000,001)	-	0.30	-
Balance, end of year	6,575,000	5,100,001	\$ 0.26	\$ 0.22
Exercisable options, end of year	2,650,000	4,566,667	\$ 0.21	\$ 0.22

As at December 31, 2007, the following options were outstanding:

- 1,350,000 shares at \$0.155 per share until July 19, 2008
- 700,000 shares at \$0.275 per share until June 21, 2009
- 775,000 shares at \$0.25 per share until August 11, 2010
- 250,000 shares at \$0.35 per share until June 14, 2011
- 3,500,000 shares at \$0.30 per share until October 29, 2012

During the year ended December 31, 2007, the Company granted 3,500,000 stock options (250,000 in 2006). All options may be exercised on a cumulative basis over a period of five years from the date they are granted, as to one third after one year, an additional one third after two years and the balance after the end of the third year.

YORBEAU RESOURCES INC.

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

7. Stock option plan (continued):

The fair value of each option granted was determined using the Black-Scholes option pricing model. At the date of the grant, the fair value of stock options granted was \$0.193 per option (\$0.179 in 2006). The following weighted average assumptions were used in these calculations:

	2007	2006
Risk-free interest rate	4.2%	4.5%
Expected life	3 years	3 years
Expected volatility	75.83%	74%
Expected dividend yield	0%	0%

The Company accounted for its stock options by measuring compensation cost for options determined under the fair value method.

Contributed surplus:

	2007	2006
Balance, beginning of year	\$ 629,818	\$ 483,534
Stock-based compensation	299,915	146,284
Cost of compensation warrants	145,619	-
Cost of options exercised	(110,750)	-
Balance, end of year	\$ 964,602	\$ 629,818

8. Related party transactions:

Legal services were rendered to Yorbeau in the amount of \$319,580 (2006 - \$235,145) by a legal firm, in which a director and shareholder of Yorbeau is a partner. As at December 31, 2007, the accounts payable include \$73,562 (2006 - \$89,053) payable to this legal firm.

"Administrative charges" in the Statement of Operations, Comprehensive Loss and Deficit include an amount of \$50,000 (2006 - \$50,000) paid as a royalty to Société Minière Alta Inc. ("Alta"), of which a director of Yorbeau is the sole shareholder (note 5 (a)).

YORBEAU RESOURCES INC.

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

8. Related party transactions (continued):

In addition, consulting services were charged to Yorbeau in the amount of \$25,383 (2006 - nil) by a company, in which the president and chief executive officer of Yorbeau is the president as well as controlling shareholder. This amount was charged to administrative expenses. As at December 31, 2007, the accounts payable include \$12,633 (2006 - nil) payable to this company.

These transactions are recorded at their exchange value.

9. Income taxes:

Income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate of 32.02% (2006 - 32.02%) as a result of the following:

	2007	2006
Loss before taxes	\$ (1,067,241)	\$ (869,291)
Computed "expected" tax recovery	\$ (341,731)	\$ (278,173)
Increase in income taxes resulting from:		
Stock-based compensation non deductible expenses	97,973	46,811
Income tax rates variation	53,700	-
Valuation allowance	190,058	231,362
Total income tax expenses	\$ -	\$ -

YORBEAU RESOURCES INC.

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

9. Income taxes (continued):

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are presented below:

	2007	2006
Future income tax assets:		
Loss carried forward	\$ 1,065,000	\$ 1,170,000
Mining properties	5,298,000	6,577,000
Financing costs	124,000	53,000
Fixed assets and other	92,000	105,000
Total gross future income tax assets	6,579,000	7,905,000
Less valuation allowance	(3,501,000)	(4,783,000)
Net future income tax assets	3,078,000	3,122,000
Future income tax liabilities:		
Deferred exploration expenditures	(3,078,000)	(3,122,000)
Net future income tax	\$ -	\$ -

YORBEAU RESOURCES INC.

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

9. Income taxes (continued):

As at December 31, 2007, the Company has exploration expenditures and other costs of approximately \$19,600,000, which are being carried forward for income tax purposes and which may be deducted from future taxable income, and it has tax losses available to reduce future years' income. These losses, for which the tax effect has not been recorded in the financial statements, expire as follows:

2008	\$	256,000
2009		470,000
2010		355,000
2014		575,000
2015		606,000
2026		827,000
2027		959,000
		<hr/>
	\$	4,048,000

10. Financial instruments:

(a) Fair value:

The Company has determined that the fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates their carrying amount due to the relatively short periods to maturity of these instruments.

(b) Credit risk:

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. Cash is maintained with high-credit, quality financial institutions. Cash equivalents consist of bank deposits.