

# **Yorbeau Resources Inc.**

**Financial Statements  
(Unaudited)  
For the period ended  
September 30, 2010**

# Yorbeau Resources Inc.

## Balance Sheets

|   | (Unaudited)<br>September 30<br>2010<br>\$ | (Audited)<br>December 31<br>2009<br>\$ |
|---|---|--|
| <b>Assets</b>                               |   |  |
| Current assets:                             |   |  |
| Cash and cash equivalents                   | 564,521                                   | 2,048,254                              |
| Taxes receivable (note 3)                   | 549,823                                   | 481,278                                |
| Prepaid expenses and deposits               | 47,685                                    | 71,121                                 |
|   | 1,162,029                                 | 2,600,653                              |
| Mining and exploration assets (note 4)      | 15,075,711                                | 13,978,414                             |
|   | 16,237,740                                | 16,579,067                             |
| <b>Liabilities and Shareholders' Equity</b> |   |  |
| Current liabilities:                        |   |  |
| Accounts payable and accrued liabilities    | 243,172                                   | 504,037                                |
| Shareholders' equity:                       |   |  |
| Capital stock (note 5)                      | 37,879,299                                | 37,103,049                             |
| Contributed surplus                         | 1,561,205                                 | 1,519,294                              |
| Deficit                                     | (23,445,936)                              | (22,547,313)                           |
|   | 15,994,568                                | 16,075,030                             |
| Commitments (note 11)                       |   |  |
|   | 16,237,740                                | 16,579,067                             |

See accompanying notes to financial statements.

# Yorbeau Resources Inc.

## Statements of Operations, Comprehensive Loss and Deficit

(Unaudited)

|  | For three months ended<br>September 30 |              | For nine months ended<br>September 30 |              |
|--|--|--------------|---------------------------------------|--------------|
|  | 2010<br>\$                             | 2009<br>\$   | 2010<br>\$                            | 2009<br>\$   |
| Interest revenue and other                           | 409                                    | 60           | 4,501                                 | 1,034        |
| Expenses   |  |              |                                       |              |
| Administrative charges                               | 253,500                                | 299,377      | 749,114                               | 1,000,665    |
| Stock-based compensation                             | -                                      | -            | -                                     | 73,334       |
| Property maintenance                                 | 4,539                                  | 9,635        | 6,203                                 | 21,222       |
| Tax on capital                                       | -                                      | 21,000       | 42,000                                | 63,000       |
| Financial expenses                                   | 301                                    | 1,628        | 980                                   | 4,715        |
|  | 258,340                                | 331,640      | 798,297                               | 1,162,936    |
| Loss before income taxes                             | (257,931)                              | (331,580)    | (793,796)                             | (1,161,902)  |
| Future income taxes                                  | -                                      | -            | 371,442                               | --           |
| Net profit (loss and comprehensive loss)             | (257,931)                              | (331,580)    | (422,354)                             | (1,161,902)  |
| Deficit - beginning of period                        | (23,185,921)                           | (21,304,106) | (22,547,313)                          | (20,394,572) |
| Share issue expenses                                 | (2,084)                                | (48,655)     | (104,827)                             | (127,867)    |
| Future income taxes arising from flow-through shares | -                                      | -            | (371,442)                             | --           |
| Deficit - end of period                              | (23,445,936)                           | (21,684,341) | (23,445,936)                          | (21,684,341) |
| Net profit (loss) per share, basic and diluted       | (0.01)                                 | (0.01)       | (0.01)                                | (0.01)       |

See accompanying notes to financial statements.

# Yorbeau Resources Inc.

## Statements of Cash Flows

(Unaudited)

|   | For three months ended<br>September 30 |            | For nine months ended<br>September 30 |             |
|---|--|------------|---------------------------------------|-------------|
|   | 2010<br>\$                             | 2009<br>\$ | 2010<br>\$                            | 2009<br>\$  |
| <b>Cash flows from operating activities:</b>  |  |            |                                       |             |
| Net profit (loss) for the period  | (257,931)                              | (331,580)  | (422,354)                             | (1,161,902) |
| Stock-based compensation  | -                                      | -          | -                                     | 73,334      |
| Cost of warrants  | 19,400                                 | -          | 19,400                                | -           |
| Future income taxes   | -                                      | -          | (371,442)                             | -           |
| Changes in non-cash operating working capital:  |  |            |                                       |             |
| Tax receivable  | (240,548)                              | 441,067    | (68,545)                              | 474,378     |
| Prepaid expenses  | 15,434                                 | 19,684     | 23,436                                | 39,008      |
| Accounts payable and accrued liabilities  | (228,888)                              | (39,969)   | (260,865)                             | (42,029)    |
|   | (692,533)                              | 89,202     | (1,080,370)                           | (617,211)   |
| <b>Cash flows from financing activities:</b>  |  |            |                                       |             |
| Issuance of capital stock   | -                                      | 852,277    | 776,250                               | 1,664,277   |
| Share issue expenses  | (2,084)                                | (48,655)   | (82,316)                              | (127,867)   |
|   | (2,084)                                | 803,622    | 693,934                               | 1,536,410   |
| <b>Cash flows from investment activities:</b>   |  |            |                                       |             |
| Mining and exploration assets (net of mining duties and resource tax credits of \$300,000 (\$79,603 in 2009)) | 140,436                                | (649,334)  | (1,097,297)                           | (1,255,715) |
| <b>Net decrease in cash and cash equivalents</b>  |  |            |                                       |             |
|   | (554,181)                              | 243,490    | (1,483,733)                           | (336,516)   |
| <b>Cash and cash equivalents</b>  |  |            |                                       |             |
| beginning of period   | 1,118,702                              | 122,587    | 2,048,254                             | 702,593     |
| <b>Cash and cash equivalents</b>  |  |            |                                       |             |
| end of period   | 564,521                                | 366,077    | 564,521                               | 366,077     |
| Additional information concerning amounts paid  |  |            |                                       |             |
| Non-cash financing activity:  |  |            |                                       |             |
| Share issue expenses representing cost of compensation warrants   | -                                      | -          | 22,511                                | -           |

See accompanying notes to financial statements.

# Yorbeau Resources Inc.

Notes to Financial Statements  
Nine months ended September 30, 2010  
(Unaudited)

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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:

The Company is in a development stage and has mineral exploration and development properties in the province of Québec. Substantially all of the Company's efforts are currently devoted to financing and developing of its Rouyn property. The ability of the Company to meet its commitments as they become payable, including the acquisitions of mineral properties and the development of projects, is dependent on the ability of the Company to obtain necessary financing. The recoverability of amounts shown for mineral properties is dependent upon the ability of the Company to obtain necessary financing to complete the exploration and development thereof, and upon future profitable production or proceeds from the disposal of properties.

The financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to realize its assets or discharge its obligations in anything other than the ordinary course of operations.

Although the Company has taken steps to verify 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 and non-compliance with regulatory requirements.

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.

## 2. Summary of significant accounting policies:

The quarterly financial statements of the Company have been prepared in accordance with the Canadian generally accepted accounting principles and should be read in conjunction with the December 31, 2009 audited annual financial statements. The accounting policies are the same as those used for the December 31, 2009 audited annual financial statements with the exception of the accounting changes listed below.

Future accounting pronouncement:

International financial reporting standards:

In February 2008, the Accounting Standards Board ("AcSB") announced that accounting standards in Canada are to converge with IFRS and that public companies will be required to present their financial statements, with comparative data, under these standards for fiscal years beginning on or after January 1, 2011. The Company is currently evaluating the impact of these requirements on its financial statements.

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## 3. Taxes receivable:

|                     | September 30<br>2010<br>(Unaudited)<br>\$ | December 31<br>2009<br>(Audited)<br>\$ |
|---------------------|---|--|
| Sales tax and other | 19,829                                    | 60,102                                 |
| Resource tax credit | 300,000                                   | 191,182                                |
| Mining duty refund  | 229,994                                   | 229,994                                |
|                     | 549,823                                   | 481,278                                |

## 4. Mining and exploration assets:

|   | Balance<br>31/12/2009 | Additions | Mining and<br>resource tax<br>credits | Balance<br>30/9/2010 |
|---|-----------------------|-----------|---------------------------------------|----------------------|
| Mining and exploration assets:<br>Rouyn Property (net of accumulated<br>depletion of \$2,411,831) | 13,978,414            | 1,397,297 | (300,000)                             | 15,075,711           |

## 5. Capital stock:

Authorized:

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

|                            | Issued      | Value         |
|----------------------------|-------------|---------------|
| December 31, 2009          | 149,882,946 | \$ 37,103,049 |
| Issuance during the period | 3,105,000   | \$ 776,250    |
| September 30, 2010         | 152,987,946 | \$ 37,879,299 |

During January 2010, Yorbeau closed a third tranche of an equity private placement and issued 3,105,000 shares at \$0.25 per share for gross proceeds of \$776,250. In connection with this placement the Company has granted 155,250 share purchase warrants exercisable at \$0.40 per share until July 25, 2011. The Company accounted for its compensation warrants issued by using the Black-Scholes pricing model. At the date of the grant, the weighted average fair value of warrants granted was \$0.145 per warrant for a total value of \$22,511.

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## 6. Stock option plan:

As at September 30, 2010, 7,389,499 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:

|  | <u>Number of<br/>options</u> | <u>Weighted average<br/>exercise price</u> |
|--|------------------------------|--|
| Options outstanding as at December 31, 2009  | 6,465,000                    | \$0.25                                     |
| Granted during the period                    | 250,000                      | \$0.28                                     |
| Expired/cancelled during the period          | (1,725,000)                  | \$0.26                                     |
| Options outstanding as at September 30, 2010 | 4,990,000                    | \$0.25                                     |
| Exercisable options, end of period           | 2,663,333                    | \$0.27                                     |

As at September 30, 2010 the following options were outstanding:

- 250,000 shares at \$0.35 per share until June 14, 2011
- 2,750,000 shares at \$0.30 per share until October 29, 2012
- 1,740,000 shares at \$0.16 per share until June 9, 2014
- 250,000 shares at \$0.28 per share until March 11, 2015

During the nine month period ended September 30, 2010, the Company granted 250,000 stock options. 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.

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. At the date of the grant, the fair value of stock options granted was \$0.162 per option. The following weighted average assumptions were used in these calculations:

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|                         |          |
|-------------------------|----------|
| Risk-free interest rate | 1.63%    |
| Expected life           | 3 years  |
| Expected volatility     | 90.652 % |
| Expected dividend yield | 0%       |

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## 7. Contributed surplus:

|   | \$        |
|---|-----------|
| Balance, beginning of year                                  | 1,519,294 |
| Stock based compensation                                    | -         |
| Stock based compensation with respect to investor relations | 19,400    |
| Cost of compensation warrants                               | 22,511    |
| Balance, end of period                                      | 1,561,205 |

## 8. Related party transactions and accounts:

During the period, a law firm, in which a director of the Company is a partner, rendered legal and consulting services in the amount of \$159,760 (2009 : \$238,080) as well as with respect to financing (share issue expenses) in the amount of \$24,500 (2009: \$71,425), totalling an aggregate amount of \$184,260 (2009: \$309,505). At period-end, \$63,615 was payable to this firm (2009: \$90,698).

“Administrative charges” in the Statement of Operations, Comprehensive Loss and Deficit include an amount of \$37,500 (2009: \$37,500) paid as a royalty to Société Minière Alta Inc., of which a director of Yorbeau is the sole shareholder. “Prepaid expenses” in the balance sheet includes an amount of \$12,500 (2009: \$12,500) as an advance royalty payment to the same company.

In addition, during the same period, consulting services were charged to Yorbeau in the amount of \$66,895 (2009: \$134,076) 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 September 30, 2010, nil was payable to this company (2009: \$13,987).

Furthermore, mining and exploration assets include consulting fees in the amount of \$16,200 (2009: \$16,200) charged by a director. As at September 30, 2010, \$1,800 was payable to this director (2009: \$5,400).

The above transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 9. Financial instruments and risk management:

The Company's main financial risk exposure and its financial risk management policies are as follows:

(a) Credit risk:

Credit risk results from the possibility that a loss may occur from the failure of another party to



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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.

(b) Interest rate risk:

The cash and cash equivalents bear interest at a variable rate and the Company is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

(c) Liquidity risk:

Management serves to maintain a sufficient amount of cash and cash equivalents, and to ensure that the Company has at its disposal sufficient sources of financing such as private placements. The Company establishes cash budgets to ensure it has the necessary funds to fulfill its obligations. Being able to obtain new funds allows the Company to pursue its activities and even though the Company was successful in the past, there is no guarantee that it will succeed in the future.

(d) Fair value:

Financial assets and liabilities fairly valued on a recurring basis are as follows:

|  | September 30, 2010 |            | September 30, 2009 |            |
|--|--------------------|------------|--------------------|------------|
|  | Carrying amount    | Fair value | Carrying amount    | Fair value |
|  | \$                 | \$         | \$                 | \$         |
| Financial assets                         |                    |            |                    |            |
| Held-for-trading                         |                    |            |                    |            |
| Cash and cash equivalents                | 564,521            | 564,521    | 366,077            | 366,077    |
| Loans and receivables                    |                    |            |                    |            |
| Taxes and other receivables              | 549,823            | 549,823    | 282,306            | 282,306    |
| Financial liabilities                    |                    |            |                    |            |
| Other liabilities                        |                    |            |                    |            |
| Accounts payable and accrued liabilities | 243,172            | 243,172    | 764,641            | 764,641    |

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about financial instruments.

# Yorbeau Resources Inc.

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## 10. Capital disclosures:

The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern in order to support ongoing exploration programs and development of its mining assets, to provide sufficient working capital to meet its ongoing obligations and to pursue potential investments.

In the management of capital, the Company includes the components of shareholders' equity, cash and cash equivalents as well as short-term investments.

The Company manages its capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments. The Company does not use long-term debts since it does not generate operating revenues. There is no dividend policy. The Company is not subject to externally imposed capital requirements. The Company's management of capital remained unchanged since the last period.

## 11. Commitments:

The Company has lease commitments for premises and trailers.

Minimum lease payments are as follows:

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|      |           |
|------|-----------|
| 2010 | \$20,331  |
| 2011 | 69,032    |
| 2012 | 32,161    |
| 2013 | 21,441    |
|      | <hr/>     |
|      | \$142,965 |

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