

## **Management Discussion and Analysis For the quarter ended March 31<sup>st</sup>, 2005**

### **1.1 Date**

This Management Discussion and Analysis is written as of 15<sup>th</sup> May 2005

### **1.2 Overall Performance**

The discussion of the Company's overall performance can now focus on our longer term objectives; the development of the Company's properties. The listing of the Company on the Toronto Stock Exchange was achieved on Wednesday 13<sup>th</sup> April 2005. Net proceeds of \$8.6M were also raised at that time, sufficient for the Company's present exploration plans in the near future and for General and Administrative expenses.

The Company is engaged in the exploration and development of mineral resources on the Ketz river property in the Yukon and in the exploration of mineral resources on the South Zone property in Arizona.

The Company does not currently derive any revenue from its operations. Its ability to conduct exploration on its properties is based upon its ability to raise capital by equity funding.

Acquisition and exploration costs are deferred in the Company's accounts.

The Company's ability to raise capital by equity funding will be affected by the price of gold, the price of copper and by the results of the drilling on the Company's properties.

In the opinion of management the medium term outlook for the price of gold is that of a stable price around a value of US\$425. In the longer term we expect the price to move upward with a target of US\$475 by the end of the year 2005.

In the opinion of management, the increasing demand for copper being experienced today, particularly in Asia, together with the slowdown in new mine development, resulted in an increase in the copper price to over US\$1.50 per pound. We expect the copper price to remain strong over at least the next few years as demand should also remain strong and no new significant production is scheduled to come on stream in the near term.

### **1.4 Results of Operations**

The Company has no properties producing revenues.

The Company expects in the coming year to carry out exploration on two properties; the Ketz River property and the South Zone property.

The Company has raised capital by equity financing to cover the cost of this exploration.

## 1.5 Summary of Quarterly Results

	2005 1 <sup>st</sup> Quarter	2004 4 <sup>th</sup> Quarter	2004 3 <sup>rd</sup> Quarter	2004 2 <sup>nd</sup> Quarter	2004 1 <sup>st</sup> Quarter	2003 4 <sup>th</sup> Quarter	2003 3 <sup>rd</sup> Quarter	2003 2 <sup>nd</sup> Quarter
G&A expenses	\$41,543	\$126,578	134,260	\$50,532	\$9,922	\$21,560	\$26,237	\$19,615
Managemnt fees	18,542	240,177	14,334	20,936	20,876	\$20,966	70,876	21,615
Interest on Loans	0	-16,641	11,853	11,854	11,853	\$55,139	9,000	9,000
Net loss	\$81,335	\$493,099	160,714	\$85,657	\$42,651	\$97,623	\$107,013	\$50,230
Loss/share cents	0.33	1.95	0.02	1.47	0.73	0.51	0.92	0.43
Shares Issued & Outstanding	25,298,955	25,298,955	12,584,745	5,840,995	5,840,995	19,204,977	11,634,093	11,634,093

The increase in G&A and management fees during the last year reflects the increase in activity of the management and their progress towards re-listing and re-financing of the Company.

No increase in shares occurred in the first quarter of 2005

## 1.6 Liquidity

The Company's liquidity again showed a decrease. Cash was \$52,013 – 1st Quarter 2005, \$83,868 -4<sup>th</sup> Quarter 2004. This however was enough to enable the Company to achieve its goal of listing on the Toronto Stock Exchange. The Company was listed in the second quarter of 2005 and was able to raise enough funds to complete its financial obligations with regard to exploration of the Ketz River property and to move forward with the exploration of the South Zone Arizona.

## 1.7 Capital Resources

The Company has no definite commitments for its capital resources. However to keep its agreement with Silver Bar in good standing the Company has commitments for capital resources as described in the table below.

Property	Commitment	Comment
Silver Bar	US\$200,000	Cash. -Required to keep option agreement in good standing
Silver Bar	US\$2,700,000	Exploration expenditures over 4 years. - Required to complete purchase of 49% of Silver Bar property

It is not the Company's intention to move forward with this agreement as structured at the present time. Therefore the capital requirements as stated above no longer exist.

## 1.8 Off-Balance Sheet Arrangements and Contractual Obligations

The Company does not have any off-balance sheet arrangements or contractual obligations that are likely to have or are reasonably likely to have a material current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that have not been disclosed in the Company's financial statements.

## 1.9 Transactions with Related Parties

### *Due to related parties*

	1 <sup>st</sup> Quarter 2005	4 <sup>th</sup> Quarter 2004
Loan from shareholders	\$ 44,408	\$ 34,055
	0	0
Total	\$ 44,408	\$ 34,055

The advances from shareholders of the Company are unsecured and bear no interest.

### *Other related party transactions*

During 2005 the Company was charged a total of \$18,542 (2004 - \$20,876) in management fees by directors of the Company.

## 1.13 Changes In Accounting Policies Including Initial Adoption

On January 1, 2004, the Company retroactively adopted the recommendations under Section 3110, Asset Retirement Obligations, of the CICA Handbook ("Section 3110"). Section 3110 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal operation of a long-lived asset. The adjustments resulting from this change have been reflected in these financial statements on a retroactive basis.

The recommendations require that the fair value of a liability for an asset retirement obligation be recorded in the period in which it is incurred. When the liability is initially recorded, the cost is capitalized by increasing the carrying amount of the related long-lived asset. Over time, the liability is increased to reflect an interest component (accretion expense) considered in the initial measurement at fair value. The capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, a gain or loss is recorded if the actual costs incurred are different from the liability recorded. This differs from the Company's prior practice that involved accruing for the estimated reclamation and closure liability through charges to the statement of operations over the life of the mine.

This change in accounting policy has been applied retroactively and had the effect of increasing (decreasing) the following:

	March 31 <sup>st</sup> 2004
	<hr/>
Net loss	\$140,800
Opening deficit	(214,600)
Asset retirement obligations	926,200
	<hr/>

#### 1.14 Financial Instruments and Other instruments

The Company's financial instruments recognized in the balance sheet consist of accounts receivable and substantially all current liabilities. The fair value of these financial instruments approximate their carrying value due to the short maturity or current market rate associated with these instruments.

The Company has not entered into any derivative contracts either to hedge existing risks or for speculative purposes.

#### 1.15 Other MD&A Requirements

##### *Exploration and Development Costs*

Exploration Costs	1 <sup>st</sup> Quarter 2005	4 <sup>th</sup> Quarter 2004	3 <sup>rd</sup> Quarter 2004	2 <sup>nd</sup> Quarter 2004	1 <sup>st</sup> Quarter 2004
Expensed	\$0	\$0	\$0	\$0	\$0
Capitalized					
Property Acquisition	\$0	\$0	\$0	\$0	\$0
Property Maintenance	\$59,209	\$92,979	\$5,466	\$0	\$0
Lease/Property Payments	\$0	\$0	\$15,795	\$0	\$0
Staking Costs	\$0	\$0	\$6,350	\$13,112	\$16,187
<b>Total Exploration Costs</b>	<b>\$59,209</b>	<b>\$92,979</b>	<b>\$27,611</b>	<b>\$13,112</b>	<b>\$16,187</b>

# **YGC RESOURCES LTD.**

## **INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2005**

**UNAUDITED-PREPARED BY MANAGEMENT**

### Responsibility for financial statements

The accompanying financial statements for YGC Resources Ltd. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the December 31, 2004 audited financial statements. Only changes in accounting information have been disclosed in these financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

### Auditor involvement

The auditors of YGC Resources Ltd. have not performed a review of the unaudited financial statements for the three months ended March 31, 2005 and 2004

# YGC RESOURCES LTD.

## INTERIM CONSOLIDATED BALANCE SHEETS

### UNAUDITED-PREPARED BY MANAGEMENT

	March 31 <u>2005</u>	December 31 <u>2004</u> (audited)
<b>ASSETS</b>		
Current		
Cash	\$ 52,013	\$ 83,680
Accounts receivable and prepaid expenses	<u>70,681</u>	<u>70,420</u>
	<u>122,694</u>	<u>154,100</u>
Capital assets - net	<u>40,489</u>	<u>28,906</u>
Resource assets	<u>6,050,618</u>	<u>5,991,409</u>
	<u>\$ 6,213,801</u>	<u>\$ 6,174,415</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 184,938	\$ 94,570
Due to related parties	<u>44,408</u>	<u>34,055</u>
	229,346	128,625
Asset retirement obligations ( <i>Note 3</i> )	<u>1,921,200</u>	<u>1,901,200</u>
	<u>2,150,546</u>	<u>2,029,825</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital ( <i>Note 5</i> )	10,949,220	10,949,220
Deficit	<u>(6,885,965)</u>	<u>(6,804,630)</u>
	<u>4,063,255</u>	<u>4,144,590</u>
	<u>\$ 6,213,801</u>	<u>\$ 6,174,415</u>

Approved on behalf of the Board

"Graham C. Dickson"  
Graham C. Dickson, director

"Graham Scott"  
Graham Scott, director

*The accompanying notes form an integral part of these consolidated financial statements*

# YGC RESOURCES LTD.

## INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2005  
(with comparative figures for the three months ended March 31, 2004)

### UNAUDITED-PREPARED BY MANAGEMENT

	Three months ended March 31 <u>2005</u>	Three months ended March 31 <u>2004</u> (restated - Note 3)
Expenses		
General and administrative expenses	\$ 41,543	\$ 9,922
Interest on shareholder loan	-	11,853
Depreciation	1,250	-
Management fees	18,542	20,876
Accretion expense	<u>20,000</u>	<u>35,200</u>
Net loss for the period	\$ <u>81,335</u>	\$ <u>77,851</u>
Loss per share - basic and diluted	\$ <u>-</u>	\$ <u>0.03</u>
Weighted average number of shares outstanding - basic and diluted	<u>25,298,955</u>	<u>2,326,819</u>

### INTERIM CONSOLIDATED STATEMENTS OF DEFICIT

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2005  
(with comparative figures for the three months ended March 31, 2004)

### UNAUDITED-PREPARED BY MANAGEMENT

	<u>2005</u>	<u>2004</u> (restated - Note 3)
Deficit, beginning of period	\$ 6,804,630	\$ 6,616,609
Net loss for the period	<u>81,335</u>	<u>77,851</u>
Deficit, end of period	\$ <u>6,885,965</u>	\$ <u>6,694,460</u>

*The accompanying notes form an integral part of these consolidated financial statements*

# YGC RESOURCES LTD.

## INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2005 (with comparative figures for the three months ended March 31, 2004)

### UNAUDITED-PREPARED BY MANAGEMENT

	Three months ended March 31 <u>2005</u>	Year to date ended March 31 <u>2004</u> (restated - Note 3)
Cash was provided by (used in):		
<b>Operations:</b>		
Net loss for the period	\$ (81,335)	\$ (77,851)
Depreciation	1,250	-
Accretion	20,000	35,200
	(60,085)	(42,651)
Change in non-cash working capital	<u>90,107</u>	<u>(54,994)</u>
	<u>30,022</u>	<u>(97,645)</u>
<b>Financing:</b>		
Increase in due to related parties	10,353	962
Promissory notes payable	<u>-</u>	<u>75,570</u>
	<u>10,353</u>	<u>76,532</u>
<b>Investments:</b>		
Resource assets	(59,209)	(16,187)
Capital assets	<u>(12,833)</u>	<u>-</u>
	<u>(72,042)</u>	<u>(16,187)</u>
Decrease in cash	(31,667)	(37,300)
Cash, beginning of period	<u>83,680</u>	<u>221,980</u>
Cash, end of period	<u>\$ 52,013</u>	<u>\$ 184,680</u>

*The accompanying notes form an integral part of these consolidated financial statements*

# YGC RESOURCES LTD.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2005

### UNAUDITED-PREPARED BY MANAGEMENT

#### 1. Status of operations and going concern

The Company is presently in the process of attempting to become reactivated on the TSX Exchange. Subsequent to quarter end the Company was listed on the TSX Exchange. Once reactivated it is the Company's intention to raise funds in order to continue exploration of its mineral resource properties (see Note 6).

The Company has not yet determined whether these properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amount shown for resource assets is dependent upon the existence of economically recoverable reserves, confirmation of the Company's ownership interest in the mining claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production.

The Company has working capital deficiency of \$106,652 (2004 - working capital of \$25,475). The ability of the Company to realize on its assets and discharge its liabilities in the normal course of operations is dependent upon the Company raising further capital (see Note 6 - Subsequent events).

#### 2. Significant accounting policies

These unaudited interim consolidated financial statements as at March 31, 2005 have been prepared in accordance with generally accepted accounting principles in Canada ("GAAP") for interim financial information. Accordingly, these interim consolidated financial statements do not include all information and note disclosures under GAAP and they should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2004. With the exceptions noted below, these interim consolidated financial statements follow the same accounting policies and their method of application as the most recently completed annual consolidated financial statements.

#### 3. Accounting changes:

On January 1, 2004, the Company retroactively adopted the recommendations under Section 3110, Asset Retirement Obligations, of the CICA Handbook ("Section 3110"). Section 3110 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal operation of a long-lived asset. The adjustments resulting from this change have been reflected in these financial statements on a retroactive basis.

The recommendations require that the fair value of a liability for an asset retirement obligation be recorded in the period in which it is incurred. When the liability is initially recorded, the cost is capitalized by increasing the carrying amount of the related long-lived asset. Over time, the liability is increased to reflect an interest component (accretion expense) considered in the initial measurement at fair value. The capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, a gain or loss is recorded if the actual costs incurred are different from the liability recorded. This differs from the Company's prior practice that involved accruing for the estimated reclamation and closure liability through charges to the statement of operations over the life of the mine.

This change in accounting policy has been applied retroactively and had the effect of increasing (decreasing) the following:

	March 31 <u>2004</u>
Net loss	\$ (35,200)
Opening deficit	(379,500)
Asset retirement obligations	820,600

# YGC RESOURCES LTD.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2005

UNAUDITED-PREPARED BY MANAGEMENT

### 4. Related party transactions

#### a) Due to related parties

The amount showing as due to shareholders in the current year is non-interest bearing, unsecured and is due on demand.

#### b) Other related party transactions

During the period ended the Company was charged a total of \$18,542 (2004 - \$20,876) in management fees by directors of the Company.

### 5. Share capital

a) Authorized share capital comprises 100,000,000 common shares without par value

b) Common shares issued and outstanding

	<u>Shares</u>	<u>Amount</u>
As at December 31, 2004 and March 31, 2005	<u>25,298,955</u>	<u>\$ 10,949,220</u>

f) Share option outstanding

As at December 31, 2004 and March 31, 2005 there are no share options outstanding.

### 6. Subsequent event:

Subsequent to quarter end the Company closed a brokered private placement for gross proceeds of approximately \$7.9 million, and a non-brokered private placement for gross proceeds of \$1.6 million, for total gross proceeds of approximately \$9.5 million. Of this \$9.5 million, approximately \$6.3 million is non-flow through and the balance of \$3.2 million is flow through. Pacific International Securities Inc. (the "Agent") was agent for the brokered private placement. The brokered placement comprised 7,885,667 non-flow-through units at a price of \$0.60 per unit (the "Common Share Units") and 4,012,500 flow-through units at a price of \$0.80 per unit (the "Flow-Through Units"). Each Common Share Unit comprises one non-flow-through common share and one-half of one transferable common share purchase warrant, each whole such warrant entitling the holder to acquire one common share of the Company for a period of two years from closing at a price of \$1.00 per share. Each Flow-Through Unit comprises one flow-through common share and one-half of one transferable non-flow-through common share purchase warrant, each whole such warrant entitling the holder to acquire one common share of the Company for a period of two years from closing at a price of \$1.00 per share. The non-brokered placement comprised 2,766,450 non-flow-through units at a price of \$0.60 per unit (the "Common Share Units"). Each Common Share Unit comprises one non-flow-through common share and one-half of one transferable common share purchase warrant, each whole such warrant entitling the holder to acquire one common share of the Company for a period of two years from closing at a price of \$1.00 per share.

The Company paid to the Agent a cash commission of eight percent of the gross proceeds of the brokered placement and issued 1,189,816 agent's options (the "Agent's Options"). Each Agent's Option entitles the Agent to acquire one unit of the Company for a period of two years from closing at a price of \$0.65 per Agent's Option. Each Agent's unit comprises one common share and one-half of one non-transferable common share purchase warrant, each whole such warrant entitling the Agent to acquire one common share of the Company for a period of two years from closing at a price of \$1.05 per share. The Company also paid the agent a corporate finance fee of \$15,000. In addition, Pacific International Securities Inc. acted as sponsor for the Company's listing on the TSX, and was paid a sponsorship fee of \$25,000.