

YGC Resources Ltd.
Management's Discussion and Analysis
Nine Months Ending September 30, 2005

Date

This Management Discussion and Analysis is written as of 28th of October, 2005 and at that date the Company had 46,643,428 shares issued and outstanding.

Overall Performance

The Company continues to focus on the exploration program at Ketzra River, Yukon, spending approximately \$1.8 million in exploration in the third quarter of 2005. The drilling program produced approximately 7,000 meters of diamond drilling in Q3, bringing the total to approximately 9,200 meters drilled in 2005. This drilling depth represents approximately 75 holes to the end of the third quarter.

In addition to the exploration program at Ketzra River, the Company is assessing other mineral properties, including the South Zone property in Arizona (copper). The Company does not currently derive any revenue from its operations. Acquisition and exploration costs are deferred in the Company's accounts.

Its ability to conduct exploration on its properties is based upon its ability to raise capital by equity funding and the reliance entirely on equity financing is likely to continue in the short term. The Company's ability to raise capital via equity financing will be affected primarily by the price of gold, the price of copper and the results of drilling on the Company's properties.

The Company was able to raise additional net proceeds of approximately \$4.5 million via two private placements in the third quarter of 2005. A brokered private placement in July 2005 yielded approximately \$4.0 million and a non-brokered private placement in August 2005 netted approximately \$600,000.

The price of gold reached a 17 year high in September of 2005, at a spot-price of US\$473 per ounce on the last day of the month. In the opinion of management, the medium term outlook for the price of gold is for it to trade in the US\$ 450-\$500 per ounce. In the longer term, we expect the price to rise due to an increasing demand from Asia, particularly China. This increase in demand is compounded by a projected decrease in global gold production in the next 10 years from a high of 2,621 tons in 2001. These supply and demand factors cause the management of the Company believe that gold prices will continue to rise.

In the opinion of management, copper prices will continue to climb as a result of the slowdown in new mine development and an increase in Asian demand, again, particularly in China. Copper is currently trading near an all-time high at around US\$1.86 per pound.

Results of Operations

The Company has no properties producing revenues. The Company is focusing on the exploration of the Ketz River property and has spent approximately \$2.9 million in 2005 as of September 30th on exploration activity and capital assets to support this exploration. The Company has raised capital by equity financing to cover the cost of this exploration.

The drilling program underway in Ketz River is anticipated to proceed for another 12 months in an effort to increase the gold resource in the Manto Zone and the Shamrock Zone. The drilling on the Manto Zone is scheduled year-round for the next 12 months, while the drilling on the Shamrock Zone is projected to shut-down in early November 2005 due to logistical challenges caused by snow. The drilling on the Shamrock Zone is expected to resume in May of 2006.

The goal of the Ketz River project is to ultimately produce gold. The results of the drilling program and the price of gold will be two major factors that will determine whether the project will be economically feasible.

Summary of Quarterly Results

	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003
Investment Income	63,740	34,501	-	-	-	-	-	-
Expenses	289,165	801,823	81,335	493,099	160,714	85,657	42,651	97,623
Net Loss	245,424	767,322	81,335	493,099	160,714	85,657	42,651	97,623
Loss / share	\$0.01	\$0.02	\$0.00	\$0.02	\$0.01	\$0.01	\$0.01	\$0.01

The Company incurred a loss of \$245,000 in the third quarter of 2005 compared with a loss of \$160,000 in the same period in 2004. The operations of the Company during the third quarter are different in 2005 than 2004. In 2004, the Company was focused on meeting regulatory requirements to become listed on the TSX and other administrative matters. In the third quarter of 2005, the Company was focused on supporting the Ketz River project and assessing other gold exploration and gold production opportunities.

In the nine months ending September 30, 2005 the Company incurred a loss of \$1,095,000 compared with a loss of \$395,000 for the same period in 2004. A major portion of the 2005 loss is due to stock-based compensation in the amount of \$550,000.

This is a non-cash charge assigned to the value of the stock-options granted to members of the Board of Directors. Again, the operations of the Company in 2005 are markedly different than 2004. Subsequent to being listed on the TSX on April 13, 2005 the Company has been focused on supporting the exploration in Ketz River, implementing and maintaining sound corporate governance and financial controls and promoting the activities of the Company

Liquidity

The Company had a cash balance at September 30, 2005 of approximately \$400,000. In addition to cash, the Company had \$10,250,000 of short-term investments on hand at September 30th, 2005 with maturity dates in the next 18 months.

There was a decrease in the cash position of the Company from July 1st, 2005 to September 30th, 2005 of approximately \$140,000.

Operations accounted for an increase in the cash position of the Company. Despite the loss of \$245,000 in the third quarter, approximately \$150,000 of expenses were non-cash items. Combine this with a large increase in trade accounts payable balance from June 30, 2005 to September 30, 2005 and the total cash provided by operations was approximately \$290,000.

Financing activities provided an additional \$4.6 million to the Company in the third quarter of 2005. There was a brokered private-placement that injected net proceeds of approximately \$4 million to the Company in July of 2005 and there was a non-brokered private placement that netted proceeds of approximately \$600,000 to the Company.

Investing activities used approximately \$5 million of the Company's cash in the third quarter of 2005. The Company invested \$3 million of its excess cash in GIC's with varying maturity dates in the quarter ending September 30, 2005. Approximately \$1.8 million was spent on exploration and this cost was deferred in the resource assets of the Company. An additional \$230,000 was spent on capital assets to be used in the exploration of the Ketz River property.

The Company has sufficient cash and short-term investment balances on-hand as of September 30th, 2005 to finance its anticipated administration and Ketz River exploration costs through to the end of 2006. A portion of the cash injected into the Company via the issuance of share capital was done by issuing flow-through shares. Under the flow-through share agreements the Company must expend \$7.05 million on qualifying exploration expenditures by December 31, 2006.

Off-Balance Sheet Arrangements

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.

Related Party Transactions

During the third quarter of 2005, the Company was charged a total of \$36,000 (2004 - \$14,334) for management services by a company owned by the president of the Company. During the second quarter of 2005, the Company was charged a total of \$20,330 (2004 - nil) in legal fees by a law firm in which the Company's corporate secretary is a partner.

Critical Accounting Estimates

The Company has adopted the recommendations of CICA Handbook Section 3870, Stock-based compensation and Other Stock-based Payments for employees and non-employees. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. These recommendations require that compensation for all awards made to employees and non-employees be measured and recorded in the financial statements at fair value.

There was no stock-based compensation awarded to any employees or non-employees subsequent to the required implementation date of Section 3870 and prior to the second quarter of 2005. Stock-based compensation awarded to employees and non-employees in the second quarter of 2005 is reflected in the balance sheet as a credit to Contributed Surplus.

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 of current market rate associated with these instruments. The Company invests excess cash in GICs with varying maturity dates to correspond with the cash requirements of the Company. The Company has not entered into any derivative contracts either to hedge existing risks or for speculative purposes.

Additional Information

Additional information may also be examined or obtained through the internet by accessing the Company's website at www.ygcr.ca or by accessing the Canadian System for Electronic Data Analysis and Retrieval (SEDAR) website at www.sedar.com.

YGC RESOURCES LTD.
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 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 nine months ended September 30, 2005 and 2004

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

YGC RESOURCES LTD.

INTERIM CONSOLIDATED BALANCE SHEETS AS AT SEPTEMBER 30, 2005 UNAUDITED - PREPARED BY MANAGEMENT

	September 30, <u>2005</u>	December 31, <u>2004</u> (audited)
ASSETS		
Current		
Cash	253,654	83,680
Short-term investments	10,253,700	-
AR & prepaid expenses	417,323	70,420
	<hr/> 10,924,677	<hr/> 154,100
Capital assets	269,166	28,906
Resource assets (Note 4)	8,612,444	5,991,409
	<hr/> 19,806,287	<hr/> 6,174,415
LIABILITIES		
Current		
Accounts payable & accrued liabilities	827,831	94,570
Due to related parties	2,938	34,055
	<hr/> 830,769	<hr/> 128,625
Provision for reclamation (Note 2d))	1,961,200	1,901,200
	<hr/> 2,791,969	<hr/> 2,029,825
SHAREHOLDERS' EQUITY		
Common shares (Note 5)	23,131,449	10,949,220
Warrants	907,537	-
Contributed surplus	874,041	-
Deficit	(7,898,709)	(6,804,630)
	<hr/> 17,014,317	<hr/> 4,144,590
	<hr/> 19,806,287	<hr/> 6,174,415

Approved on behalf of the Board

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

"E. Lynn Patterson"
E. Lynn Patterson, director

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YGC RESOURCES LTD.

INTERIM CONSOLIDATED STATEMENTS OF DEFICIT FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2005 (with comparative figures for the nine months ended September 30, 2004)

UNAUDITED - PREPARED BY MANAGEMENT

	Three months ended September 30,2005	Three months ended September 30,2004	Year to date ended September 30,2005	Year to date ended September 30,2004
		(restated - Note 3)		(restated - Note 3)
Investment revenue	63,740	-	98,242	-
Expenses:				
Stock based compensation (Note 5 c.)	93,840	-	550,609	-
General and administrative expenses	171,294	134,260	479,431	194,714
Interest on shareholder loan	-	11,853	-	35,560
Depreciation	3,303	267	8,855	2,602
Accretion	20,000	35,200	60,000	105,600
Management fees	20,727	14,334	93,428	56,146
	289,165	195,914	1,192,323	394,622
Net loss for the period	(245,424)	(195,914)	(1,094,081)	(394,622)
Loss per share - basic and diluted (Note 2 g)	(0.006)	(0.027)	(0.030)	(0.054)
Weighted average number of shares outstanding basic and diluted	44,301,452	7,308,011	35,935,474	7,308,011

INTERIM CONSOLIDATED STATEMENTS OF DEFICIT FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2005 (with comparative figures for the nine months ended September 30, 2004)

UNAUDITED - PREPARED BY MANAGEMENT

	2005	2004
		(restated - Note 3)
Deficit, beginning of period	6,804,630	6,022,509
Net loss for the period	1,094,081	394,622
Deficit, end of period	7,898,711	6,417,131

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YGC RESOURCES LTD.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2005 (with comparative figures for the nine months ended September 30, 2004)

UNAUDITED - PREPARED BY MANAGEMENT

	Three months ended September 30,2005	Three months ended September 30,2004	Year to date ended September 30,2005	Year to date ended September 30,2004
		(restated - Note 3)		(restated - Note 3)
Cash was provided by (used in):				
Operations:				
Net loss for the period	(245,424)	(195,914)	(1,094,081)	(394,622)
Depreciation	35,247	267	43,148	2,602
Accretion	20,000	35,200	60,000	105,600
Stock based compensation	93,840	-	550,609	-
	(96,337)	(160,447)	(451,437)	(286,420)
Change in non-cash working capital	387,842	7,235	386,358	(73,724)
	291,505	(153,212)	(53,966)	(360,144)
Financing:				
Increase (decrease) in due to related parties	2,938	45,677	(31,117)	56,333
Promissory notes payable	-	(445,614)	-	(583,399)
Shares issued for cash	4,588,430	674,375	13,413,197	874,375
	4,591,368	274,438	13,382,080	347,309
Investments:				
Increase of short-term investments	(3,000,000)		(10,253,700)	
Resource assets	(1,791,475)	(27,611)	(2,621,035)	(56,910)
Purchase of capital assets	(234,035)		(283,405)	
	(5,025,510)	(27,611)	(13,158,140)	(56,910)
Increase (decrease) in cash	(142,637)	93,615	169,974	(69,745)
Cash, beginning of period	396,291	58,620	83,680	221,980
Cash, end of period	253,654	152,235	253,654	152,235

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YGC RESOURCES LTD.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005
UNAUDITED-PREPARED BY MANAGEMENT

1. Status of operations and going concern

The Company is in the process of mineral exploration on its properties and has yet to determine whether these properties contain reserves that are economically recoverable. The continuous operations of the Company and the recoverability of the amount shown for resource assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production.

The Company was listed on the TSX on April 13th, 2005 and is traded under the symbol "YGC". The Company is also listed on the Xetra in Frankfurt, Germany and is traded under the symbol "ZH6".

2. Summary of significant accounting policies

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and with the framework of the accounting policies summarized below:

a) Basis of presentation:

These consolidated financial statements include the accounts of YGC Resources Ltd. and its wholly owned subsidiaries Ketz River Holdings Ltd. and YGC Arizona Inc. All significant inter-company balances and transactions have been eliminated.

b) Capital assets:

Property, plant and equipment are recorded at cost and consist of computer hardware depreciated at 45% on a declining balance basis and other equipment amortized at 20% on a declining balance basis. Capital asset costs are reduced by investment tax credits that are receivable as a result of expenditures made to acquire capital assets and this reduced balance is used as the basis of depreciation.

c) Resource assets:

Property, plant and equipment are carried at cost, including all costs incurred in connection with the acquisition and development of the properties, less accumulated depreciation, depletion, amortization and write-downs to recognize impairment in value. Property, plant and equipment costs are depreciated and this charge is included as part of the deferred exploration expenditures of the resource asset. Equipment is depreciated at 20% on a declining balance method and computer hardware is depreciated at 45% on a declining balance method. However, if the assets relates to an inactive property, no depreciation will be charged against the property until exploration or development commences.

Deferred exploration expenditures incurred in the acquisition and exploration of the Company's mining properties, net of any option payments, government grants, or income tax credits received have been deferred with the intention that the deferred expenditures and the cost of mining claims and properties be amortized by charges against income, on a units of production basis, from future mining operations. If the mining claims are allowed to lapse or the properties are abandoned, the cost of the mining claims and all associated exploration expenditures are written off.

Deferred exploration expenditures are reduced by investment tax credits that are received as a result of expenditures made that are deferred and amortized on a units of production basis.

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d) Asset retirement obligations:

The fair value of a liability for an asset retirement obligation is 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.

e) Stock based compensation:

The CICA Handbook, Section 3870, establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments for goods and or services. The Section requires that awards of stock be measured at fair value. The Company uses the Black-Scholes Option Pricing model to determine the fair value each stock-option on the date of the grant. The value of the stock options issued to directors and employees is expensed as Stock-Based Compensation and is credited to Contributed Surplus. The value of the agent's options, stock options issued to agent in exchange for brokerage services during equity placement, is netted against share capital as a share-issue cost and credited to Contributed Surplus.

This policy was adopted on January 1, 2005. Prior to this date, there was no stock-based compensation or stock-based payments for goods and or services.

f) Long-lived assets:

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

g) Earnings per share:

Basic earnings per share are the amount of earnings for the period available to the weighted average number of common shares outstanding during the period.

Diluted earnings per share is the amount of earnings for the period available to each common share outstanding during the period and to each common share that would have been outstanding assuming the issuance of common shares for all dilutive potential common shares outstanding for the period. The computation of diluted earnings per share assumes conversion, exercise or contingent issuance of common shares only when such conversion, exercise or issuance has a dilutive effect on earnings per share.

Anti-dilution is an increase in earnings per share or a decrease in loss per share. Disclosure of diluted earnings per share is not required if the effect of exercising outstanding warrants and options is anti-dilutive.

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

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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:

	September 30
	2004
Net loss	\$ 105,600
Opening deficit	(485,800)
Asset retirement obligations	619,800

4. Resource assets

Resource assets, net of write-downs, option payments and government grants:

	30-Sep-05	30-Jun-05	31-Mar-05	31-Dec-04
Acquisition Costs	4,829,589	4,829,589	4,829,589	4,829,589
Deferred Exploration Expenditures				
Geological	125,911	83,400		3,015
Drilling	913,549	359,366		
Infrastructure	307,752	255,764		39,764
Supplies	82,783	31,891		16,430
Environmental	114,696	-		
Contractors & labour	182,645	-		
Site support	96,751	39,931		
Income tax credit (a)	(32,613)			
Total deferred exploration expenditures	3,782,855	1,791,474	1,991,381	770,352
Resource asset total	8,612,444	6,820,970	6,050,618	5,991,409

a) Income Tax Credit

Under the provisions of the Yukon Minerals Exploration Tax Credit program, a corporation is eligible to receive a refundable corporate income tax credit (YMETC) equal to 25% of eligible mineral exploration expenditures incurred conducting exploration in the Yukon between April 1, 2001 and March 31, 2007. The Company recognizes any credit due under YMETC when it is received. A refund of \$32,613 was received in the third quarter of 2005 by the Company for exploration expenditures incurred in 2004. This was recorded in the accounts as a reduction of the resource asset in 2005 when the refund was received. It is estimated that the Company is eligible to receive approximately \$600,000 in investment tax credits for 2005 based on expenditures incurred in conducting minerals exploration in the Yukon to September 30, 2005.

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b) Ketza River properties, Yukon

The Company owns the Ketza River property including 308 mining claims, a mill and all associated equipment.

c) Arizona property

The Company has staked on its own account 40 claims in Arizona.

d) Yukon base metals properties

The Company has an interest in three base metal properties in the Yukon.

e) Greenwood properties

The Company owns a 75% interest in certain real property, mining lease and mineral claims in the Greenwood Mining Division, British Columbia. These properties are subject to a 2% net smelter returns royalty.

5. Share Capital

a. Common shares

- i. Authorized share capital comprises 100,000,000 common shares without par value.
- ii. Common shares issued and outstanding

	Number of Shares	Amount
As at June 30, 2005	40,113,572	18,943,447
Common share units issued @ \$0.70 per unit, net of share issue costs	1,729,856	748,431
Flow-through common share units issued @ \$0.80 per unit, net of share issue costs	4,800,000	3,840,000
Cost of warrants attached to share units		(312,985)
Cost of agent's options		(87,444)
As at September 30, 2005	46,643,428	23,131,449

On July 29, 2005 the Company completed a brokered private placement of 4,800,000 flow-through common share units at a price of \$0.80 per unit. Each flow-through unit consists of one flow-through common share and one-half of one transferable common share purchase warrant, each whole such warrant entitling the holder to purchase one non-flow-through common share of the Company for a period of two years from closing, at a price of \$1.00 per share.

On July 29, 2005 the Company completed a brokered private placement of 797,856 common share units at a price of \$0.60 per unit. On August 26, 2005 the Company completed a non-brokered private placement of 932,000 common share units at a price of \$0.60 per unit. These two placements total 1,729,856 common share units. Each unit consists of one common share and one-half of one transferable common share purchase warrant, each whole such warrant entitling the holder to purchase one non-flow through common share of the Company for a period of two years from closing, at a price of \$1.00 per share.

Share issue costs are netted against common share units, there are no share issue costs netted against flow-through common share units.

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b. Warrants

Common share purchase warrants issued and outstanding:

	Expiration Date	Exercise Price	Number of Warrants	Estimated Fair Value
Outstanding, June 30, 2005	April 13, 2007	1.00	7,407,309	594,552
Attached to July 29, 2005 shares issued	July 29, 2007	1.00	2,798,928	270,061
Attached to August 26, 2005 shares issued	August 26, 2007	1.00	466,000	42,924
Outstanding, September 30, 2005			10,672,237	907,537

The warrants issued during the quarter ending September 30, 2005 were assigned a value of \$312,985 using the Black-Scholes option pricing model. This value was netted from the proceeds of the share capital issue and credited to Contributed Surplus.

The assumptions used in the Black Scholes model were as follows:

Risk-free interest	2.75%
Expected Dividend yield	0%
Expected Stock Price Volatility	50%
Expected Warrant Life	2 years

c) Stock-Options

Stock-Options issued and outstanding are as follows:

	Expiration Date	Exercise Price	Number of Warrants	Estimated Fair Value
Outstanding, June 30, 2005	April 13, 2010	0.60	1,650,000	456,769
Stock-Options Granted - August 8, 2005	August 8, 2010	0.60	250,000	93,840
Outstanding, September 30, 2005			1,900,000	550,609

On August 8, 2005, the Company issued 250,000 Stock Options to a new member of the Board of Directors. The Stock-Options vested immediately and expire 5 years from the date of issue. The options are to purchase one non-flow through common share of the Company for \$0.60.

The Stock-Options issued during the quarter ending September 30, 2005 were assigned a value of \$93,840 using the Black-Scholes option pricing model. This value was included in the Statement of Operations as Stock-Based Compensation Expense and credited to Contributed Surplus.

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The assumptions used in the Black Scholes model were as follows:

Risk-free interest rate	2.75%
Expected Dividend Yield	0
Expected Stock Price Volatility	50%
Expected Warrant Life	2 years

d) Contributed surplus

The Company's Contributed Surplus is comprised of the following:

	Amount
As at June 30, 2005	692,757
Agent's Options issued on July 29, 2005	87,444
Stock Options issued on August 8, 2005	93,840
As at September 30, 2005	874,041

Agent's Options in the amount of 559,785 were issued on July 29, 2005 to Pacific International as part of the fees for the brokered private-placement of common shares. The Agent's Option entitles the Agent to purchase one unit of the Company for a period of two years from closing at a price of \$0.75 per Agent's unit.

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 Agent's Options were assigned a value of \$87,444 using the Black-Scholes option pricing model and this value was deducted from the share capital of the Company and credited to Contributed Surplus.

The assumptions used in the Black-Scholes model for the Agent's Options were as follows:

Risk-free interest	2.75%
Expected Dividend yield	0%
Expected Stock Price Volatility	50%
Expected Stock-Option Life	2 years

6. Related party transactions

During the third quarter of 2005, the Company was charged a total of \$36,000 (2004 -\$14,334) for management fees by a company owned by the president of the Company.

During the third quarter of 2005, the Company was charged a total of \$20,330 (2004 – nil) in legal fees by a law firm in which the corporate secretary is a partner.

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