

YGC RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDING SEPTEMBER 30, 2006

INTRODUCTION

The following Management Discussion and Analysis (MD&A) of the results of operations and the financial condition of YGC Resources Ltd. (the “Company”) should be read in conjunction with the financial statements of the Company for the quarter ending September 30, 2006. The MD&A has been prepared to conform with National Instrument 51-102F1 and has been approved by the Company’s Audit Committee and Board of Directors prior to release. This MD&A is written as of November 10, 2006 and at that date the Company had 57,765,049 shares outstanding.

OVERALL PERFORMANCE

The operational focus of the Company in the quarter ending September 30, 2006 was on the exploration of the Ketz River property in the Yukon. Approximately 27,500 feet (approximately 8,400 metres) of diamond drilling in 58 holes was completed during the third quarter of 2006. The majority of the footage drilled in the third quarter of 2006 was on the Manto Zone. Drilling on the Shamrock Zone commenced in July of 2006.

OUTLOOK

The continued strategy of the Company is to focus on exploration of the Manto zone at Ketz River through the fall of 2006 in order to increase the gold resource. The drill results will impact management’s strategy toward bringing the property into production. The Company is currently in the process of completing a pre-feasibility study on Ketz River initially based on production of gold from the Manto zone. Due to the increasing demand in the mining industry for human resources, it is difficult to ascertain when the study will be completed. Management anticipates the completion of a draft study in early 2007.

A critical input into the pre-feasibility process is the production of an updated 43-101 compliant resource estimate on the Ketz River property. An updated resource calculation is currently being produced and it is anticipated that it will be completed in the fourth quarter of 2006. The following table summarizes the most recently completed 43-101 compliant resource calculation produced in November 2005:

Classification	Tonnage	Gold g/t	Contained Ounces	Cut-off
Measured	1,410,000	3.54	160,500	1.0 g/t
Indicated	7,130,000	2.60	596,200	1.0 g/t
Inferred	14,580,000	2.25	1,054,000	1.0 g/t

(Source: Mr. Gary Giroux, P. Eng. – an independent geological consultant)

In addition to the drilling program on the Manto zone, the Company has been conducting exploration work on the Shamrock zone in the summer and fall of 2006. There has been very little exploration carried out on this zone in the past and management feels it has the potential to host substantial value for the shareholders. The Company has done preparation work on the Shamrock zone to continue drilling certain areas throughout the winter, weather conditions permitting.

The Company has recently taken a significant step toward the advancement of the Ketz River project. In late October 2006, management met with officials from the Yukon government. The purpose of this meeting was to initiate the process of receiving a mine operating permit from the Yukon government.

The key performance drivers for the Company are the price of gold, the results of exploration in Ketz River and the ability of management to execute its plans toward gold production at Ketz River.

Management continues to be encouraged by the increasing price of gold, which closed in New York at a spot price of \$US 629 per ounce on November 10, 2006. This is an increase of 23% from the price of \$US 513 per ounce on the last trading day in 2005.

The Company has assembled a management team and Board of Directors that brings the skills to the table to move from exploration through the pre-feasibility process, into development and ultimately production, if the economics are in place. The President and CEO, Mr. Graham Dickson, has been involved in the construction of 16 gold mills in the past and this experience will be invaluable to the process of moving the Ketz River property toward production.

The geology team in place at Ketz River is headed by Mr. Ed Gates, who has over 25 years of precious metals exploration and development work. Under the supervision of Mr. Gates, the Company has recently incorporated previous geo-magnetic anomaly mapping of the Ketz River property into the exploration plan, identifying numerous drill targets on the Manto zone to be explored in 2006 and beyond.

In addition to the Company's primary focus of moving toward the production of gold from the Ketz River project, an active part of the Company's strategy for growth is to look at the acquisition of other late stage projects in North America.

The Company signed an option agreement in early November of 2006 on a property with significant historical silver showings. This property has been named "Silver Valley" and is adjacent to the gold property at Ketz River, Yukon.

There are numerous risks involved with gold exploration companies and the Company is subject to these risks. The major risks facing the Company at Ketz River are a decrease in the price of gold, poor drilling results, the potential fallibility of resource estimates, political risk, environmental risk and the inability to raise capital to finance the project and the availability of resources required for exploration, development and production.

RESULTS OF OPERATIONS

The Company had a net loss for the quarter ending September 30, 2006 of approximately \$250,000. Non-cash expenses accounted for approximately \$85,000 of the loss - \$9,000 of depreciation expense, \$41,000 of accretion expense and a \$35,000 write-off of deferred acquisition costs. Therefore, operations from a net loss perspective used approximately \$165,000 of the Company's treasury for the quarter ending September 30, 2006.

During the quarter ending September 30, 2006, shareholders exercised 510,000 warrants in the Company, all at an exercise price of \$1.00. This provided \$510,000 to the treasury of the Company.

There was an injection of approximately \$85,000 into the Company's treasury from the exercise of agents' options by Pacific International (the "Agent"), the broker involved in the Company's two brokered private placements in 2005. The Agent exercised approximately 130,000 agents' options in the third quarter of 2006. Each agents' option issued in 2005 is convertible upon payment of exercise price (\$0.65 for agents' options issued with April 13, 2005 financing and \$0.75 for agents' options issued with July 29, 2005 financing) into one non-flow-through common share of the Company and one half of one brokers' warrant. Each brokers' warrant entitles the holder to receive one non-flow-through common share in the Company, upon payment of the \$1.05 exercise price. Approximately \$390,000 was injected into the Company's treasury upon exercise of approximately 370,000 brokers' warrants.

The Company spent approximately \$2,315,000 on exploration expenditures at Ketz River in the third quarter of 2006 and an additional \$9,500 on capital assets to support the exploration program at Ketz River. As of December 31, 2005 there was a line item on the balance sheet entitled "Cash and short term investments held for future exploration" of approximately \$2.65 million. This represents exploration expenditures that were to be renounced, and subsequently were renounced on March 29, 2006, that are required to be spent on CEE (Canadian Exploration Expenditures), pursuant to the flow-through share agreements in 2005, by the end of 2006. As of June 30, 2006, the Company had spent all funds raised via flow-through financing in 2005. The renunciation of \$7.05 million of exploration expenditures to investors in flow-through shares of the Company resulted in a future income tax liability on the balance sheet of approximately \$2.616 million. All exploration expenditures renounced were incurred at Ketz River in the Yukon. The 2006 Yukon general corporate income tax rate combined with the federal corporate income tax rate is 37.12%.

The renunciation of the exploration expenditures to flow-through shareholders resulted in the expenditures no longer being available to the Company as a deduction for income tax purposes in the future. Canadian GAAP (EIC 146 – Flow-Through Shares) requires that tax impact of renouncing these expenditures to shares be recorded as a liability for future income taxes with a corresponding reduction in share capital.

The Company closed two financings in the quarter ending June 30, 2006 that provided \$10,370,100 of flow-through financing. Pursuant to the flow-through subscription agreements, these funds must be renounced to the flow-through shareholders no later than March 31, 2007 and the funds must be spent on qualifying CEE by the end of 2007. As of September 30, 2006 the Company had "Cash and short-term investments held for future exploration" of approximately \$6,925,000 that must be spent by the end of December 2007.

SUMMARY OF QUARTERLY RESULTS

	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004
Revenue	\$ 156,309	\$ 82,614	\$ 49,746	\$ 62,925	\$ 63,740	\$ 34,501	-	-
Net Loss	253,961	231,555	594,993	350,732	245,424	767,322	81,335	493,099
Loss per share	\$ 0.004	\$ 0.005	\$ 0.013	\$ 0.008	\$ 0.006	\$ 0.020	\$ 0.003	\$ 0.019
Weighted average # shares issued & outstanding	56,710,213	50,874,682	46,941,768	46,643,428	44,301,452	38,159,996	25,298,955	25,298,955

The Company incurred a loss of approximately \$250,000 in the third quarter of 2006 compared with a loss of approximately \$245,000 in the third quarter of 2005. The Company's third quarter administrative costs in 2006 have increased from 2005. There are two primary reasons for this cost increase. The Company spent approximately \$60,000 more in third quarter of 2006 than 2005 on investor relations and marketing activity, in an effort to get the Company's story across to as many investors as possible.

The Company also incurred asset acquisition investment costs of approximately \$60,000 in the third quarter of 2006 versus nil in third quarter of 2005. Virtually all of the costs related to due diligence work on an operational gold property in North America. The Company was informed in the third quarter that the property was being acquired by another company, as a result, all deferred costs were written off in third quarter of 2006.

The Company earned approximately \$90,000 more investment revenue in Q3 2006 compared with Q3 2005. This is partly due to a larger average cash and short-term investment balance on hand in Q3 2006 in addition to higher interest rates being earned on interest bearing investments in 2006.

LIQUIDITY AND CAPITAL RESOURCES

The Company has sufficient liquidity, as of September 30, 2006, to finance its working capital and administrative requirements for several years into the future, assuming the Company's cost structure does not change materially. The Company has sufficient "cash and short term investments held for future exploration" to finance planned exploration activities well into 2007. The following is an illustration of financial resources on hand as of September 30, 2006:

	Balance as of September 30, 2006
Cash	\$ 5,996,234
Short term investments	1,196,682
Cash and short term investments held for future exploration	6,925,089
Total	\$ 14,118,005

Note – the Company's accounting policy is to classify interest bearing investments that have a maturity date less than 90 days from the date of purchase as "Cash" on the Balance Sheet.

Management anticipates financing the long-term development of the Ketz River project, assuming a positive feasibility study, via equity and/or debt financing as determined by the Company's Board of Directors.

As of September 30, 2006 the Company had approximately 8.65 million shareholder warrants outstanding to purchase shares of the Company for \$1.00. These are share purchase warrants that were attached to common shares issued by the Company in 2005 financings (see "Outstanding Share Data" section of this MD&A for more information). As of the date of this MD&A, all outstanding options and warrants are "in the money". The potential proceeds if all outstanding options and warrants were exercised would be approximately \$12 million.

The Company received a \$1,035,000 refundable income tax credit subsequent to the end of the third quarter of 2006, under the provisions of the YMETC (see "Off Balance Sheet Arrangements" section of this MD&A for more information). This income tax credit resulted from the Company incurring qualifying Canadian Exploration Expenditures in 2005 at Ketz River. The Company's accounting policy towards YMETC refundable tax credits is to recognize them when the funds are received or when there is certainty that they will be received. As the Company received a cheque for the refundable tax credits in late October 2006, the amount received has been recorded as an asset (Yukon mineral exploration tax credit receivable) on the September 30, 2006 Balance Sheet.

OFF BALANCE SHEET ARRANGEMENTS

Under the provisions of the Yukon Minerals Exploration Tax Credit Program ("YMETC"), a corporation is eligible to receive a refundable corporate income tax credit equal to 25% of eligible mineral exploration expenditures incurred conducting minerals exploration in the Yukon.

The Yukon government decided to implement a cap on the total refundable corporate income tax credits available to each corporation, effective April 1, 2006. This cap limits each corporation to a maximum of \$300,000 in refundable tax credits for exploration expenditures incurred between April 1, 2006 and March 31, 2007. However, there is no cap for the period ending March 31, 2006. Based on exploration expenditures incurred by the Company in the Yukon in the nine months ending September 30, 2006, a refundable tax credit of approximately \$800,000 is expected.

In summation, the Company has earned approximately \$800,000 in refundable income tax credits as of September 30, 2006 that were not recorded in the financial statements.

Aside from the aforementioned, the Company does not have any off-balance sheet arrangements that are likely to have a material current or future impact on the Company's 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

The Company paid a total of \$45,000 (2005 - \$36,000) to a company owned by the President and CEO of the Company for management services during the quarter ending September 30, 2006. This is in accordance with a contract signed between the two parties effective June 1, 2006. The contract expires on May 31, 2008 with automatic renewal for a term of one year on the 31st of May at the end of each year of the contract (subsequent to 2008), unless notice of termination given by either party at least 90 days prior to the termination of the contract term.

During the quarter ending September 30, 2006, the Company was charged \$24,115 (2005 – \$20,330) in legal fees by a law firm in which the corporate secretary of the Company is a partner.

CRITICAL ACCOUNTING ESTIMATES

In accordance with the recommendations of CICA Handbook Section 3063, Impairment of Long-Lived Assets, the Company monitors the recoverability of long-lived assets. This is based on such factors 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 value of the asset may not be recoverable.

Management's estimate of future commodities prices, operating costs, capital costs and the availability of resources required to develop existing properties are essential to the evaluation of these properties.

OUTSTANDING SHARE DATA

The following is the outstanding share data and outstanding securities that are convertible into common shares of the Company as of November 10, 2006:

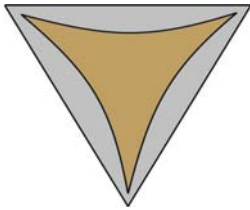
Common shares outstanding@ November 10, 2006	57,765,049		
Derivative Description	# of Derivatives	Weighted Average Exercise Price	Potential Proceeds
Shareholder Warrants	8,607,585	\$1.00	\$8,607,585
Broker Warrants	205,390	\$1.05	215,660
Agents' Options	272,344	\$0.65	177,024
Agents' Options	84,962	\$0.75	63,722
Agents' Options	379,225	\$1.55	587,799
Stock Options	3,480,000	\$0.64	2,227,200
Total	13,029,506		\$11,878,988
Fully Diluted Shares @ November 10, 2006	70,794,555		

ADDITIONAL INFORMATION

Additional information may 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.

FORWARD LOOKING STATEMENTS

Statements in this MD&A that are forward-looking are subject to various risks and uncertainties concerning specific factors. Such forward-looking information represents management's best judgment based on information currently available. No forward-looking statement can be guaranteed and actual figures may vary materially. The Company does not assume the obligation to update any forward looking statement.



YGC
RESOURCES LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2006
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, 2005 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 September 30, 2006 and 2005.

YGC RESOURCES LTD.
INTERIM CONSOLIDATED BALANCE SHEETS
AS AT SEPTEMBER 30, 2006
(with comparative figures as at December 31, 2005)
UNAUDITED – PREPARED BY MANAGEMENT

	September 30, 2006	December 31, 2005 (audited)
ASSETS		
Current:		
Cash	\$ 5,996,234	\$ 48,134
Short-term investments	1,196,682	5,304,955
Accounts receivable & prepaid expenses	720,479	543,349
Yukon minerals exploration tax credit receivable (Note 4 a)	1,035,136	-
	<u>8,948,531</u>	<u>5,896,438</u>
Restricted funds (Note 3)	150,000	150,000
Cash & short-term investments for future exploration (Note 3)	6,925,089	2,652,144
Deferred costs - asset acquisition	6,220	-
Property, plant & equipment	501,634	376,390
Resource assets (Note 4)	15,663,975	10,302,673
	<u>\$ 32,195,449</u>	<u>\$ 19,377,645</u>
LIABILITIES		
Current:		
Accounts payable & accrued liabilities	\$ 665,943	\$ 457,047
Due to related parties (Note 5)	-	9,780
	<u>665,943</u>	<u>466,827</u>
Future income tax (Note 6)	2,616,960	-
Provision for reclamation	2,176,300	2,053,300
	<u>5,459,203</u>	<u>2,520,127</u>
SHAREHOLDERS' EQUITY		
Common shares (Note 6)	33,861,392	23,017,879
Warrants (Note 6)	851,986	985,084
Contributed surplus (Note 6)	1,352,819	1,103,998
Deficit	(9,329,951)	(8,249,443)
	<u>26,736,246</u>	<u>16,857,518</u>
	<u>\$ 32,195,449</u>	<u>\$ 19,377,645</u>

(see Note 1 - Status of Operations and Going Concern)

Approved on behalf of the Board

Graham C. Dickson, director

Robert J. MacDonald, director

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

YGC RESOURCES LTD.
INTERIM CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006
(with comparative figures for the nine months ended September 30, 2005)
UNAUDITED – PREPARED BY MANAGEMENT

	3 months ended Sept 30, 2006	3 months ended Sept 30, 2005	Year to date ended Sept 30, 2006	Year to date ended Sept 30, 2005
Investment revenue	\$ 156,309	63,740	288,670	98,242
Expenses:				
Management fees	45,000	20,727	120,900	93,428
General and administrative	126,319	100,024	418,515	361,206
Corporate development & communications	189,199	71,270	353,946	118,225
Depreciation	8,752	3,303	16,082	8,855
Accretion	41,000	20,000	123,000	60,000
Stock-based compensation	-	93,840	336,735	550,609
	410,271	309,164	1,369,178	1,192,323
Net Loss for the Period	\$ (253,961)	(245,424)	(1,080,508)	(1,094,081)
Loss per share - basic and diluted (Note 2g)	\$ (0.004)	\$ (0.006)	\$ (0.021)	\$ (0.030)
Weighted average number of shares outstanding (basic and diluted)	56,710,213	44,301,542	51,526,426	35,935,474

INTERIM CONSOLIDATED STATEMENT OF DEFICIT
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006
(with comparative figures for the nine months ended September 30, 2005)
UNAUDITED – PREPARED BY MANAGEMENT

	2006	2005
Deficit, beginning of period	\$ 8,249,443	\$ 6,804,630
Net loss for period	1,080,508	1,094,081
Deficit, end of period	\$ 9,329,951	\$ 7,898,711

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

YGC RESOURCES LTD.
NOTES TO INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006
UNAUDITED – PREPARED BY MANAGEMENT

	3 months ended Sept 30, 2006	3 months ended Sept 30, 2005	Year to date ended Sept 30, 2006	Year to date ended Sept 30, 2005
Cash was provided by (used in):				
Operations:				
Net loss for the period	\$ (253,961)	\$ (245,424)	\$ (1,080,508)	\$ (1,094,081)
Item not affecting cash				
Depreciation	51,072	35,247	109,476	43,148
Accretion expense	41,000	20,000	123,000	60,000
Gain on disposal of property, plant & equipment	(1,259)	-	(1,259)	-
Write-off of deferred acquisition costs	34,431	-	34,431	-
Stock based compensation	-	93,840	336,735	550,609
	(128,717)	(96,337)	(478,125)	(451,437)
Change in non-cash working capital	(556,284)	387,842	(1,003,370)	386,358
	(685,001)	291,505	(1,481,495)	(53,966)
Financing:				
Increase (decrease) in due to related parties	-	2,938	(9,780)	(31,117)
Common shares issued upon exercise of agent's options (Note 6 d)	86,107	-	783,893	-
Common shares issued upon exercise of stock options	-	-	69,000	-
Common shares issued upon exercise of brokers' warrants (Note 6 c)	387,531	-	499,543	-
Common shares issued upon exercise of shareholder warrants (Note 6 c)	510,000	-	2,025,367	-
Common shares issued for cash, net of share issue costs (Note 6 b)	(47,638)	4,588,430	9,851,657	13,413,197
	936,000	4,591,368	13,229,680	13,382,080
Investments:				
Cash held for future exploration	2,339,815	-	(4,272,945)	-
Short term investments	4,281,925	(3,000,000)	4,108,273	(10,253,700)
Restricted cash	-	-	-	-
Deferred acquisition costs	(14,911)	-	(40,651)	-
Resource assets - net (Note 4)	(1,361,142)	(1,791,475)	(5,361,301)	(2,621,035)
Purchase of property, plant and equipment	(12,698)	(234,045)	(246,386)	(283,405)
Proceeds of disposition of property, plant and equipment	12,925	-	12,925	-
	5,245,914	(5,025,510)	(5,800,085)	(13,158,140)
Increase (decrease) in cash	5,496,914	(142,637)	5,948,100	169,974
Cash, beginning of period	499,320	396,291	48,134	83,680
Cash, end of period	\$ 5,996,234	\$ 253,654	\$ 5,996,234	\$ 253,654

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

YGC RESOURCES LTD.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006
UNAUDITED – PREPARED BY MANAGEMENT

1. Status of operations and going concern

YGC Resources Ltd. [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, 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 of \$ 8,282,588 (September 30, 2005 – \$10,093,908). The ability of the Company to realize on its assets and discharge its liabilities in the normal course of operations and to complete the exploration and development of its resource properties is dependent upon the Company raising further capital.

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 within the framework of the accounting policies summarized below:

a) Basis of presentation

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

b) Property, plant and equipment

Property, plant and equipment are recorded at cost and depreciated based on declining balance method using the following rates per annum, subject to the half-year rule. Property, plant and equipment used in exploration are depreciated but this charge is deferred with other exploration expenditures. Property, plant and equipment costs are reduced by income tax credits received by the Company that relates to the purchase of Property, plant and equipment used in exploration.

Computer hardware	- 45 %
Computer software	-100 %
Equipment	- 20 %
Vehicles	- 30 %
Furniture and fixtures	- 20 %

c) Resource assets

The acquisition cost of mining properties and its related exploration expenditures net of any option payments or income tax credits received are deferred until the property is placed into production is sold or abandoned. These deferred expenditures will be amortized on a units of production basis over the estimated useful life of the property following commencement of production or written off if the property is abandoned or sold.

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

YGC RESOURCES LTD.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006
UNAUDITED – PREPARED BY MANAGEMENT

d) 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.

e) 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.

f) Stock-based compensation plan

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 of each stock option on the date of the grant. The value of the stock options issued to directors, employees and service providers is expensed as Stock-Based Compensation and is credited to Contributed Surplus. This policy was adopted effective January 1, 2002 but had no effect on the financial statements of the Company until this year. Prior to this date, the Company had not issued any options or made any stock-based payments for goods and or services.

The value of the agents' options, stock options issued to agents in exchange for brokerage services during equity placement, is netted against share capital as share issuance costs and credited to Contributed Surplus.

g) Loss per share

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

Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of shares outstanding used in the calculation of diluted loss per share assumes that the deemed proceeds received from the exercise of stock options, agents' options and share purchase warrants that are "in the money" would be used to repurchase common shares of the Company at the average market price during the year.

Existing stock options and share purchase warrants have not been included in the computation of diluted loss per share as to do so would be anti-dilutive. Accordingly, basic and diluted per share are the same.

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

YGC RESOURCES LTD.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006
UNAUDITED – PREPARED BY MANAGEMENT

h) Income taxes

The Company has adopted the liability method of accounting for income taxes as outlined in the provisions of Section 3465 of the Handbook of the Canadian Institute of Chartered Accountants. Under this method, current income taxes are recognized for the estimated taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future year for tax purposes that are likely to be realized.

i) Flow-through shares

The Company financed a portion of its exploration expenditures through the issuance of flow-through shares. Under the terms of these share issues, the tax attributes of the related expenditures are renounced to subscribers. Share capital is reduced and future income tax liabilities are increased by the estimated income tax benefit renounced to subscribers. As required under CICA EIC 146 the Company will recognize a future income tax liability, with an offset to share issue costs, when it renounces these expenditures to shareholders.

j) 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 amount of assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. By their nature, these estimates are subject to management uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Significant estimates include those relating to asset retirement obligations and those relating to the fair valuation of stock-options issued, share purchase warrants issued and Agent's Options issued. Actual results may differ from those estimates.

k) Short term investments

Short term investments consists of investments of highly liquid dollar denominated investments in investment grade debt with terms to maturity of greater than 90 days when acquired. Short term investments are carried at the lower of cost or recoverable amount.

3. Cash and short term investments held for future exploration and restricted funds

In 2005, the Company raised \$7,050,000 by way of private placements of flow-through shares. Under the conditions of these private placements, the funds must be spent in 2005 and 2006 on Canadian Exploration Expenditures ("CEE") on properties located in Canada. As at June 30, 2006 the Company has spent all proceeds from the 2005 flow-through financings.

In the nine months ending September 30, 2006, the Company raised \$10,370,100 (gross proceeds) by way of private placements of flow-through shares. Under the conditions of the flow-through shareholder agreements, the funds must be spent in 2006 and 2007 on CEE on properties located in Canada. As at September 30, 2006 the unspent balance was \$6,925,089.

Certain short term investments are pledged as security for a Letter of Credit. The Yukon Territorial Government has a Letter of Credit with the Company for \$150,000 which was put in place to secure payment of potential reclamation work relating to the Ketza River project. The pledged funds of \$150,000 have been disclosed separately as restricted funds on the balance sheet.

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

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4. Resource assets

	Ketza River Property	Arizona Property	Greenwood Property	Other Yukon Properties	Total Expenditures
Acquisition costs:					
Balance @ Sep30,06 & Dec31,05	\$4,408,391	\$ -	\$ -	\$ -	\$4,408,391
Deferred Exploration Costs:					
Balance at December 31, 2005	5,397,900	496,378	1	3	5,894,282
Prospecting	-	-	-	11,309	11,309
Geological	714,299	-	-	-	714,299
Drilling	3,488,540	-	-	-	3,488,540
Infrastructure	698,264	-	-	-	698,264
Supplies	235,827	-	-	-	235,827
Environmental	154,728	-	-	-	154,728
Contractors & labour	863,705	-	-	-	863,705
Site support	215,048	8,241	1,212	5,265	229,766
Tax credits (a)	(1,035,136)	-	-	-	(1,035,136)
Option -earn in	-	-	-	-	-
Additions for the period	5,335,275	8,241	1,212	16,574	5,361,302
Balance of deferred exploration	10,733,175	504,619	1,213	16,577	11,255,584
Balance at September 30, 2006	\$15,141,566	\$504,619	\$1,213	\$16,577	\$15,663,975

a) Income Tax Credit

Under the provisions of the Yukon Minerals Exploration Tax Credit Program ("YMETC"), a corporation is eligible to receive a refundable corporate tax credit equal to 25% of eligible mineral exploration expenditures incurred conducting exploration in the Yukon between April 1, 2001 and March 31, 2006. The Company recognizes any credit due under YMETC on the Balance Sheet when the funds are received, or when there is certainty the funds will be received. In late October 2006, subsequent to quarter end date, the Company received a corporate tax credit of approximately \$1,035,000 relating to 2005 mineral exploration expenditures.

The Yukon government announced in January 2006 that there is a per company refundable limit of \$300,000 for work undertaken between April 1, 2006 and March 31, 2007. Management estimates that the Company is eligible to receive approximately \$800,000 of tax credits for exploration expenditures incurred to September 30, 2006 in the Yukon.

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b) Ketz River properties, Yukon

The Company has a 100% interest of the Ketz River property including 308 mining claims and leases. The focus of the Ketz River property is gold.

c) South Zone Silver Bar, Arizona

The Company has a 100% interest in 45 claims in Pinal County, Arizona. The focus of exploration of this property will be gold and copper.

d) Greenwood properties

The Company owns a 75% interest in 31 claims in the Greenwood Mining District in south-east British Columbia. These claims are subject to a 2% net smelter returns royalty. The remaining 25% interest in this gold property is owned by Intrepid Minerals Corporation.

e) Other Yukon properties

(i) Money Property - The Company has a 100% interest in 46 claims on this gold, silver and copper property located in south-central Yukon. The Company entered into an option agreement with Yukon Zinc Corporation ("Yukon Zinc") in August 2005 which allows Yukon Zinc to acquire a 25% interest in the property by making cash payments to the Company of \$40,000 over the next five years and incurring \$150,000 of exploration expenditures in the next five years. Upon exercise of the initial option, Yukon Zinc shall have an additional option to acquire an additional 26% interest in the property by paying the Company \$25,000 in cash or shares upon giving notice of its intent to pursue the additional option and undertaking an additional \$500,000 of exploration expenditures over two years from date of election of the additional option.

(ii) Wolf Property - The Company has a 34.42% joint venture interest in 18 claims in this zinc, lead and silver property in south-central Yukon. Atna Resources Ltd. owns the remaining 65.58% interest.

(iii) Bay Property – The Company has staked 36 claims in south-east Yukon, near Watson Lake. Based on preliminary geological work, the primary focus of this property will be silver.

5. Related party transactions

a) Due to related parties

	<u>2006</u>		<u>2005</u>	
Due to shareholders	\$	-	\$ 9,780	
	<hr/>		<hr/>	

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

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b) Other related party transactions

During the quarter the Company was charged a total of \$45,000 (2005 - \$36,000) in management fees by a company owned by a director of the Company.

During the quarter the Company was charged a total of \$24,115 (2005 - \$20,330) in legal fees by a law firm in which the corporate secretary of the Company is a partner in the firm.

6. Share capital

a) Authorized share capital consists of an unlimited number of common shares

b) Common shares issued and outstanding

	Shares	\$ Amount
Common shares issued and outstanding – June 30, 2006	56,460,332	32,858,449
Common shares issued pursuant to exercise of shareholder warrants, exercise price \$1.00	510,000	510,000
Common shares issued pursuant to exercise of broker warrants, exercise price \$1.05	369,077	387,531
Common shares issued pursuant to exercise of agents' options, exercise price \$0.65	132,473	86,107
Transfer from Warrants on exercise of shareholder warrants		40,935
Transfer from Contributed Surplus on exercise of agents' options, exercise price \$0.65		26,008
Share issuance costs relating to financings completed in quarter ending June 30, 2006		(47,638)
Common shares issued and outstanding – September 30, 2006	57,471,882	33,861,392

On May 30, 2006 the Company closed a brokered private placement of 5,500,000 flow-through shares at a price of \$1.50 per share. A financing fee of 7% was charged by the agent on this brokered private-placement, paid by issuing 88,846 common shares of the Company in addition to a cash payment of \$462,000. The agent also received 385,000 agents' options to purchase non-flow-through common shares of the Company at a price of \$1.55 per share. These agents' options expire on May 30, 2007.

On June 14, 2006 the Company closed a non-brokered private placement consisting of 1,430,067 flow-through shares at a price of \$1.50 per share and 19,231 non-flow-through common shares at a price of \$1.30 per share.

On March 29, 2006 the Company renounced \$7,050,000 of exploration expenditures to subscribers of flow-through shares issued in 2005. As a result of this renunciation, share capital is reduced by the estimated tax effect of the exploration expenditures flowed-through to the shareholders, which is \$2,616,960. The Company has accrued a "Future income tax liability" on the balance sheet for \$2,616,960. Management is currently reviewing the ability of the Company to recognize previously unrealized tax assets.

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c) Warrants

	Warrants	\$ Amount
Balance at June 30, 2006	9,591,049	892,921
Warrants exercised by shareholders	(510,000)	(40,935)
Warrants issued upon exercise of agents' options	66,237	-
Warrants exercised by brokers	(369,077)	-
Balance at September 30, 2006	8,778,207	851,986

During the period ending September 30, 2006 there were 510,000 share purchase warrants exercised by shareholders of the Company. A pro-rated amount of the fair value assigned to the share purchase warrants at date of issuance (using the Black-Scholes option pricing model) was debited to the Warrants account and credited to Common Shares.

Each agents' option entitles the holder to purchase one common share of the Company and one-half of one non-transferable share purchase warrant (see note 6 d) for agent option information). During the period ending September 30, 2006 there were 369,077 share purchase warrants exercised by brokers. In the same period, 66,237 share purchase warrants were issued to brokers upon exercise of agents' options.

Warrants are assigned a value on the date common shares are issued, using the Black-Scholes option pricing model. Warrants issued upon the exercise of agents' options are not assigned a value, as this is done at the date of the issuance of the Agents' options. The value assigned to the warrants associated with agents' options is included in Contributed Surplus.

The following table reflects the continuity of share purchase warrants in the period ending September 30, 2006:

Expiry Date	Exercise Price	June 30, 2006 Balance	Warrants Exercised	Warrants Issued	September 30, 2006 Balance
January 31, 2007	\$ 2.40	20,000			20,000
April 13, 2007	\$ 1.00	6,259,084	510,000		5,749,000
July 29, 2007	\$ 1.00	2,431,786			2,431,786
August 26, 2007	\$ 1.00	466,000			466,000
April 13, 2007	\$ 1.05	266,218	(222,218)	66,237	110,237
July 29, 2007	\$ 1.05	147,961	(146,859)		1,102
		9,591,049	(879,077)	66,237	8,778,208

d) Contributed Surplus

Balance at June 30, 2006	1,378,827
Transfer to Share capital upon exercise of agents' options - \$0.65 exercise price	(26,008)
Balance at September 30, 2006	1,352,819

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(i) Stock Options

The Company has a stock option plan (the "Plan") in place under which the board of directors may grant options to acquire common shares of the Company to directors, employees and or service providers. Under the terms of the Plan, the number of securities issuable to insiders, at any time under all security based agreements, can not exceed 10% of the issued and outstanding securities. The options granted under the Plan can not have a term exceeding 10 years, are non-transferable and the grant price shall not be lower the last recorded sale price of a board-lot on the TSX on the trading day preceding the grant of the option.

The following table reflects the continuity of Stock Options under the "Plan" for the three months ending September 30, 2006:

Expiry Date	Exercise Price	June 30, 2006 Balance	Options Exercised	Options Issued	September 30, 2006 Balance	September 30, 2006 Exercisable
April 14, 2010	\$ 0.60	1,390,000	-	-	1,390,000	1,390,000
May 17, 2007	\$ 0.60	450,000	-	-	450,000	175,000
October 1, 2010	\$ 0.60	1,145,000	-	-	1,145,000	1,145,000
January 25, 2011	\$ 0.82	400,000	-	-	400,000	400,000
March 28, 2011	\$ 1.06	125,000	-	-	125,000	125,000
		3,510,000	-	-	3,510,000	3,235,000

(ii) Agents' Options

Agents' options were issued to the broker of the May 30, 2006 brokered private placement. There were 385,000 agents' options per the terms of the agency agreement. These agents' options expire on May 30, 2007 and each option entitles the holder to acquire one non-flow-through common share of the Company for \$1.55.

Agents' options were issued to the broker of two private placements in 2005, with each option entitling the holder to purchase one common share and one-half of one common share purchase warrant.

The details of the agents' options continuity for the period ending September 30, 2006 are as follows:

Expiry Date	Exercise Price	June 30, 2006 Balance	Agents' Options Exercised	Agents' Options Issued	September 30, 2006 Balance
April 13, 2007	\$ 0.65	454,817	(132,473)	-	322,344
May 30, 2007	\$ 1.55	385,000	-	-	385,000
July 29, 2007	\$ 0.75	253,069	-	-	253,069
		1,092,886	(132,473)	-	960,413

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7. Subsequent events

Subsequent to September 30, 2006, the Company:

- a) Received a refundable Yukon Mineral Exploration Tax Credit in the amount of \$1,035,136. This tax credit relates to CEE conducted by the Company in 2005 on the Ketzka River property in the Yukon.
- b) Issued 223,882 common shares for proceeds of \$167,532 from the exercise of agents' options.
- c) Issued 39,285 common shares for proceeds of \$39,285 from the exercise of shareholder warrants.
- d) Issued 30,000 common shares for proceeds of \$18,000 from the exercise of employee stock options.

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