

Yankee Hat Minerals Ltd. (TSX.V: KHT) – Results from 2006 drilling program highlight potential at Fran

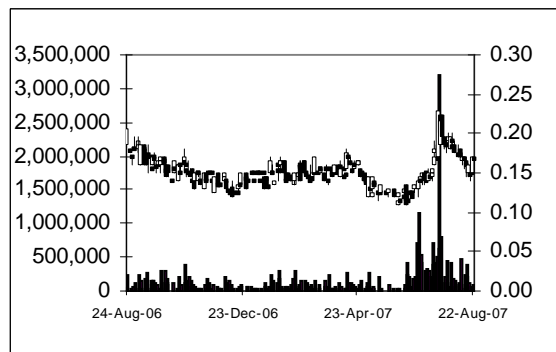
Sector/Industry: Junior Mining

www.yankeehatminerals.com

Market Data (as of August 23, 2007)

Current Price	C\$0.165
Fair Value	C\$0.44
Rating*	BUY (↑)
Risk*	5 (Highly Spec)
52 Week Range	C\$0.11 – C\$0.275
Shares O/S	48,052,538
Market Cap	C\$7.93 mm
Current Yield	N/A
P/E	N/A
P/B	2.70
YoY Return	-19.5%
YoY TSXV	-2.1%

*see back of report for rating and risk definitions



Investment Highlights

- In our last update, we expected the company to complete a NI 43-101 compliant resource estimate at Fran by the end of 2006. At this time, the company plans to complete a third drilling program in spring of 2008 and expects a resource estimate by Q2-2008.
- The 2006, and 2007, drilling results highlighted excellent potential for the North Contact Zone at Fran. They have delineated a broad low-grade mineralized zone with wide high-grade veins within.
- The company has dropped the uranium properties in the Northwest Territories to focus on gold and silver in British Columbia.
- A new president, Brad Kitchen, has been added to the management team.
- Based on the company's progress at the Fran Property, and our valuation on the company, we are upgrading our rating to BUY from HOLD.

Risks

- This company is exposed to all of the risks associated with a junior mining company that does not have any operating mines. They have not completed any NI 43-101 compliant resource estimates at this time.

Key Financial Data (C\$)

YE July 31	2004	2005	2006	2007 (9 mo)
Cash	232,834	901,319	661,259	393,455
Working Capital	168,204	931,621	575,669	89,652
Mineral Assets	105,098	945,146	1,642,252	2,838,823
Total Assets	393,654	1,984,956	2,368,300	3,414,074
Net Losses	(219,559)	(524,048)	(646,644)	(711,873)
EPS	(0.02)	(0.03)	(0.02)	(0.02)

Yankee Hat Minerals is focused on the exploration of the Fran gold property in northwestern British Columbia. This property hosts high grade gold mineralization within a broad, lower grade zone. The drilling program in 2007 was positive, and the company is planning a Phase III program in 2008 for resource delineation. A work program is planned for the Union property as well.

**Company
Overview**

Yankee Hat Minerals holds a number of early to mid stage exploration properties in Canada. At this time, they are focused on resource delineation at the Fran Gold property in central British Columbia. This property hosts widespread gold mineralization over a 1.2 kilometer strike length and is open in all directions. The results of the 2006, and 2007, drilling programs were very positive, and the company is proceeding with a Phase III drilling program in the spring of 2008 for resource delineation.

Fran Property

Property Overview: The 9,400 hectare Fran property is the company's primary focus due to the excellent drilling results the company has received from their 2006, and 2007, drilling programs. The North Contact Zone appears to be an important new gold discovery in this region, which is a well-known area of gold and copper mineralization. The Mt. Milligan deposit, one of B.C.'s largest undeveloped gold deposits, is located 30 kilometers from the property.

Ownership: The company has an option to acquire a 100% interest in the property, subject to a 2% NSR royalty to the underlying owner.

2006 Drilling Program: The 2006 drilling program ran from June to August 2006. 14 holes were drilled for a total of 2,060 meters. It was designed to follow up on good results from the 2005 trenching program, and focused on mineralization on the eastern and western edges of the North Contact Zone over a strike length of 800 meters. Highlights from the drilling program are included below.

- FR-47: 4.0 m of 7.91 g/t Au, 12.78 g/t Ag, 0.39% Cu
- FR-55: 9.55 m of 8.51 g/t Au, 14.81 g/t Ag, 0.25% Cu
- FR-58: 57.44 m of 0.82 g/t Au, Incl. 8.47 m of 3.04 g/t Au, 1.57 g/t Ag, 0.06% Cu
- FR-59: 54.60 m of 1.12 g/t Au, Incl. 4.85 m of 10.96 g/t Au, 40.15 g/t Ag, 1.48% Cu
- FR-61: 17.12 m of 1.20 g/t Au, Incl. 2.85 m of 2.42 g/t Au, 7.0 g/t Ag, 0.16% Cu

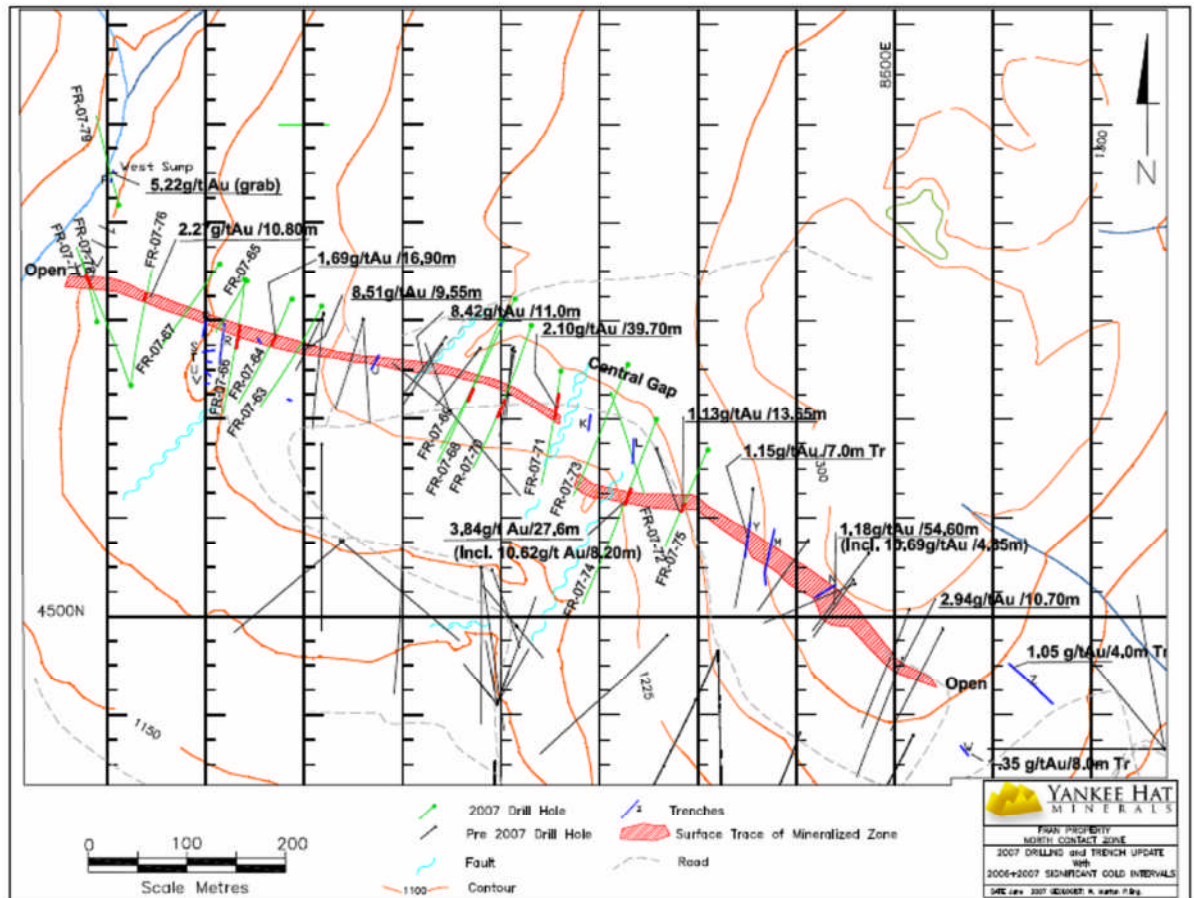
2007 Drilling Program: The 2007 winter drilling program began in March and was completed in May. 17 holes were drilled for a total of 3,397 meters. It continued to expand mineralization to the east and west, as well as close the 250 meter gap in the central portion of the zone.

This drilling program succeeded in its goals, by confirming mineralization in the central area and extending mineralization to the west by 200 meters. The results were consistent with the 2006 drilling program, with high grade, narrow intercepts within a broadly mineralized lower grade zone of up to 70 meters. Drilling results of the lower grade zone have been in the 3-6 g/t range, and the high grade vein replacement structures have included results of up to 90 g/t gold. Some of the best drill holes at Fran were from this program, and the drilling highlights are excerpted in the table on the next page.

**2007 Drilling
Program
Highlights**

Hole	Interval	Width	Grade (g/t gold)
FR 07-64	62.2-79.1	16.9	1.69
includes	71.8-73.3	1.5	17.3
Fr 07- 68	124.05-147.1	23.05	0.75
includes	124.05-124.55	0.5	13.15
includes	124.02-132.25	8.2	1.2
includes	145.3-147.1	1.8	3.34
Fr 07- 70	131.05-161.65	30.6	1.01
includes	146.75-148	1.25	3.04
includes	149.4-150.1	0.7	6.39
includes	160.15-160.65	0.5	20.5
Fr 07- 71	34.0-73.7	39.7	2.10
Includes	34.0-41.0	7.0	3.14
Includes	55.0-60.6	5.6	2.87
Includes	67.7-73.7	7.4	5.99
Fr 07- 72	78.9-79.9	1.0	5.18
Fr 07- 74	69.4-70.8	1.4	3.20
includes	111.9-139.5	27.6	3.84
includes	117.7-126.0	8.3	10.62
Fr 07- 75	49.0-49.6	0.6	27.86
includes	77.8-102.1	24.3	0.74
includes	92.3-92.85	0.55	6.99
includes	123.3-124.5	1.2	3.86
Fr 07- 76	133.2-144.0	10.8	2.27
includes	139.0-143.0	3.9	5.64

The 2007 drilling program highlights and drill hole locations are outlined in the image below.



2007 drilling program layout.
Source: Yankee Hat Minerals Ltd.

Current Status: Currently, the company is completing a field reconnaissance program, including geophysics, geochemical surveys, and field mapping. This program has an estimated budget of \$400,000. It is designed to define additional drilling targets for the 2008 drilling program. The company is planning a Phase III drilling program at Fran to commence in the spring of 2008. This program will focus on resource delineation in the inferred category and expansion of the Northern Contact Zone, which is still open to the east and west. It will also test other areas of mineralization on the property, as the North Contact Zone is just one of several identified targets. We expect the 2008 drilling program to include approximately 5,000 meters of drilling for an estimated cost of \$1 million.

Resource Estimate: This property does not have any historic or NI 43-101 compliant resource estimates at this time.

Union

Property Overview: The 2,550 hectare Union Mine property is located in the Franklin Mining Camp of the Boundary District in southern British Columbia. It was acquired in September 2006, and has become a priority property since that time. In December 2006, the company added 900 hectares to the property through staking. This property, like many other mines in the district, was mined on a small scale with very high-grade results. The Union Mine produced 122,555 tonnes grading 14.1 g/t silver and 353.4 g/t silver. At least 8 zones of mineralization have been identified.

Current Status: The company completed an airborne geophysical survey on the property in May 2007. They are currently awaiting the interpretation of this survey, which will guide the exploration for 2007/2008. We expect the company to complete a small exploration program on Union in the fall of 2007.

Other Properties

In February, the company announced they had optioned the Lever Lake and Thelon Basin properties to Great Bear Resources Ltd. This option agreement was terminated in July, and the company decided to drop the properties. Uranium exploration in the Canadian North is expensive and would be quite dilutive to shareholders.

Management Changes

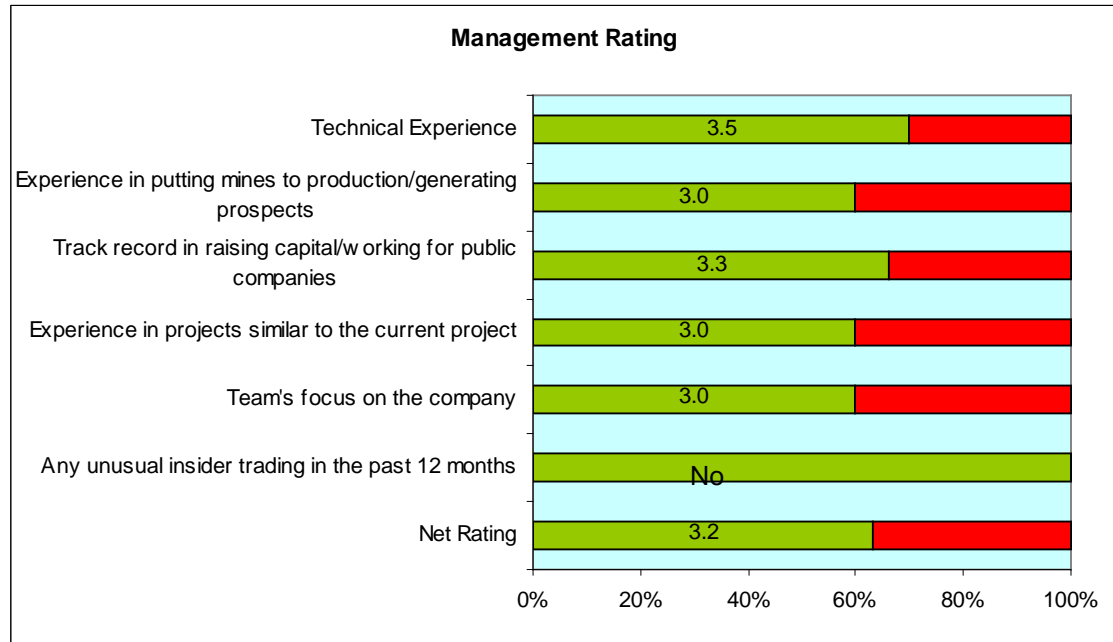
In June 2007, the company appointed a new president, Brad Kitchen, who serves on the company's board of directors. The former president, Terry Fields, will remain with the company as CEO, and Donald Gee will continue as Chairman. In March, the company announced Rick Wilson had left the board of directors. Mr. Kitchen's biography follows.

Brad Kitchen is a seasoned financial market professional with extensive experience in structured financings, investment banking and public company governance. His education includes an MBA from McGill University in Montreal, Quebec (1987) and a Bachelor of Applied Science Degree (Civil Engineering) from the University of British Columbia (1985). Mr. Kitchen held positions at CIBC World Markets and TD Securities Inc. before founding his own firm, PBK Financial Engineering, in 1997, through which he advises small to medium sized companies on corporate finance issues.

In particular, Mr. Kitchen has extensive experience managing companies in the resource sector. He was past President of TSX Venture listed Grenville Gold Corp (TSX.V: GVG, *BUY, Risk 5: Highly Speculative*), is currently the Chief Financial Officer for Primary Petroleum (TSX.V: PIE pending), President of Eagle Hill Exploration Corporation (TSX.V: EAG.P), and sits on the board of Megawest Energy Corp. (OTC.BB: MGWSF).

Management Rating

We believe that the most important aspect of a junior mining company is its management. Our management rating system is a quantitative way to rate management based on a number of factors, including technical experience, the ability to raise financing, and management's time commitment to the company. We also analyzed trading records to identify for evidence of unusual trading by management. **Our net rating for Yankee Hat is 3.2, which we have rated average.** We believe the company has a good management team typical of a junior exploration company.



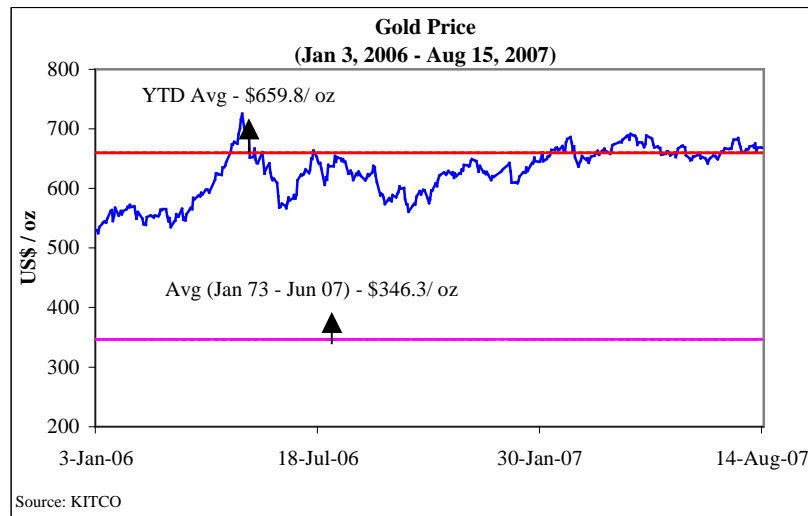
Strength of Board

The Toronto Stock Exchange recommends that the Board of Directors of every company include independent or unrelated directors who are free of any relationship or business that could materially interfere with the director’s ability to act in the best interests of the company. An unrelated/independent director can be a shareholder. In this report, we introduce our strength of board rating for Yankee Hat, which uses information available from the company’s annual “Management Information Circular” to ensure that the company has an independent Board of Directors, Audit Committee, and Compensation Board. This report also identifies any non-arms length transactions and management’s compensation.

Yankee Hat’s Board of Directors is made up of six individuals: Donald Gee, Terry Fields, Anne McCandless, Conrad Lacker, Patrick McCandless, and Brad Kitchen. Donald Gee, Brad Kitchen, Terry Fields, and Anne McCandless are the related/non-independent directors, as they are named executive officers of the company. Anne McCandless, Patrick McCandless, and Terry Fields do not hold any shares in the company. The Audit Committee is made up of Anne McCandless, Conrad Lacker, and Patrick McCandless. The company does not have a Compensation Committee. Yankee Hat does not have any non-arms length transactions.

Industry Conditions

Outlook on Gold: We continue to maintain our positive outlook on both short-term and long-term prices of gold. The chart below shows gold prices since January 2006. As of August 15, 2007, gold was trading at US\$667.25/oz, which reflects a YOY increase of 6.0%.



Gold prices have not dropped below the historical average price of US\$346/oz since April 2003. Our outlook on gold prices is positive based on a forecasted depreciation of the U.S. dollar (with respect to other major global currencies), and continued long-term demand for gold as a capital preservation asset. The increase in gold ETF demand and producer de-hedging will also positively impact prices going forward. As of August 15, 2007, total ETG assets held by two major exchanges, the New York Stock Exchange (NYSE: GLD) and the London Stock Exchange (LSE: GBS), were 19.25 million ounces, which reflects a YOY increase of 28.2%. The average forecasts for gold prices are US\$670/oz in 2007 and US\$720/oz in 2008.

Financials

In the first nine months of FY2007 (ended April 30, 2007), the company had a net loss of \$0.71 million (eps: -\$0.02), compared to \$0.25 million (eps: -\$0.01) in the comparable period in the previous year. Net loss increased as the company wrote-off \$0.34 million of mineral assets in the nine-month period in FY2007. We estimate the company had a burn rate (cash required for investing and operating activities) of \$0.18 million per month in the first nine months of FY2007, compared to \$0.10 million per month in FY2006 (12 – month period).

The table below shows the company's cash and liquidity position.

	2004	2005	2006	2007 (9 mo)
Cash	232,834	901,319	661,259	393,455
Working Capital	168,204	931,621	575,669	89,652
Burn Rate	(24,289)	(101,217)	(99,773)	(176,594)
Cash From Financing	473,245	1,883,092	957,216	1,321,547

Cash and working capital at the end of April 2007, were \$0.39 million and \$0.09 million, respectively, compared to \$0.66 million and \$0.58 million, at the end of FY2006.

Recent Financings: In July 2007, the company announced that it completed a non-brokered private placement of 8 million units (at a unit price of \$0.10), and raised \$0.8 million. Each unit consists of one common share, and one-half of a share purchase warrant.

Stock Options and Warrants: At the end of April 2007, the company had 1.3 million stock options outstanding (all of them are currently 'in-the-money'), with exercise prices between \$0.10 and \$0.15, and maturity periods between May 2007 and March 2009. The company also had 7.7 million warrants outstanding (all of them are currently 'out-of-the-money'), with an exercise price of \$0.30, and expiry dates between September 2008 and December 2009.

Conclusions: We estimate the company will spend about \$0.5 million (most of the costs are expected to be allocated to the Fran Property) in FY2007. Based on cash on hand at the end of April 2007 (\$0.39 million), and the recent financing (\$0.8 million), we believe the company has sufficient access to capital for its exploration activities in 2007.

Valuation

We continue to value the company based on the average ratio of Enterprise Value to Mineral Assets (book value) of its peers. Since the company has not yet delineated a resource estimate on any of its projects, our valuation is restricted to relative valuation.

Share prices of most of the company's peers have dropped considerably in the past few weeks, and therefore, we do not believe that a relative valuation on Yankee Hat, based on the current share prices of its peers, will give a true fair value estimate on the company. The table below shows the consolidated share price performance of Yankee Hat and its peers, compared to prices at the time of our previous report, and compared to the average price in the past 12 months.

Consolidated share price performance of KHT and its peers

	Price (23/08/07)	Price (23/03/07)	Mean (1 year)	Upper 95%	Lower 95%
	\$4.93	\$5.69	\$5.25	\$5.39	\$5.12
Price Change		-13.4%	-6.2%		

As you can see from the table, current prices have dropped by 13%, since our previous report, and 6%, compared to the average price in the past 12 months.

We believe the drop in share prices was primarily due to an increase in the risk-averse attitude of investors. We believe investors have turned more risk averse due to the current problems in the sub prime market, lower than expected consumer spending, and the ongoing fears of recession in the U.S. economy. Although the current developments in the market suggest a slow-down in the U.S. economy, we do not believe the fundamentals of the resource sector, especially for gold and silver, have changed. Our outlook on gold and silver continues to be positive (as mentioned earlier in the report). Therefore, the recent sell-off of resource stocks (which has led to the drop in share prices), we believe, was not due to any change in fundamentals, but due to panic. Therefore, we have used the 12-month average

share prices of the comparables (which are still lower than prices at the time of our previous report), instead of the current share prices, in our analysis shown on the next page.

Company	Symbol	Price	Enterprise Value (EV)	Mineral Assets	EV / Mineral Assets
1 Logan Resources Ltd.	LGR	\$0.30	\$7,363,266	\$4,162,663	1.77
2 Yankee Hat Minerals	KHT	\$0.15	\$6,209,272	\$3,338,823*	1.86
3 Canasil Resources Inc.	CLZ	\$0.41	\$10,231,241	\$3,287,313	3.11
4 Astral Mining Corporation	AST	\$0.46	\$5,629,588	\$1,659,074	3.39
5 Skygold Ventures Ltd.	SKV	\$1.59	\$65,406,333	\$7,903,306	8.28
6 Wildrose Resources Ltd.	WRS	\$1.20	\$22,296,319	\$2,358,871	9.45
7 GWR Resources Inc.	GWQ	\$1.13	\$43,052,019	\$4,522,206	9.52
Average					5.34
Fair Value of KHT					\$0.40

Share prices are the average prices in the past 12 months

* Expected mineral assets at the end of 2007

Conclusions & Rating

Since the average ratio of EV/Mineral Assets dropped from 10.65 to 5.34, our relative valuation on KHT dropped, from \$0.47 per share to \$0.40 per share.

We have been pleased with the company's progress to date and look forward to an NI 43-101 compliant resource for the Fran Property in 2008. We see good potential at the North Contact Zone. This region of British Columbia is highly prospective for copper-gold porphyry deposits, and the North Contact Zone may be related to an underlying porphyry zone.

Since the drop in valuation was not due to any changes in the company's fundamentals, but due to a drop in comparables' share prices, we do not make any changes in our fair value estimate. In fact the company has made progress at its property. **Based on the company's progress at the Fran Property, and our valuation on the company, we are upgrading our rating to BUY from HOLD, and maintaining our fair value estimate on KHT at \$0.44 per share.** Our fair value estimate reflects an upside potential of 167% from current price levels.

Risks

The following risks, though not exhaustive, will cause our estimates to differ from actual results:

- Yankee Hat does not have any 43-101 compliant resource estimates and its properties are all in early to intermediate stages of exploration.
- The success of further development, exploration, and expansion is a significant factor in Yankee Hat's success.
- Like other junior exploration companies, the value of the company depends heavily on gold prices.

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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The distribution of FRC's ratings are as follows: BUY (86%), HOLD (6%), SELL (2%), SUSPEND (6%).

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