

**CADILLAC MINING CORPORATION**  
(An Exploration Stage Company)

**Consolidated Financial Statements**

**August 31, 2008**

**and**

**August 31, 2007**

# **DE VISSER GRAY LLP**

## **CHARTERED ACCOUNTANTS**

401 - 905 West Pender Street  
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### **AUDITORS' REPORT**

To the Shareholders of Cadillac Mining Corporation,

We have audited the consolidated balance sheets of Cadillac Mining Corporation as at August 31, 2008 and August 31, 2007 and the consolidated statement of operations, deficit and cash flows for the periods September 1, 2007 to August 31, 2008, and June 1, 2006 to August 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2008 and August 31, 2007 and the results of its operations and cash flows for the periods September 1, 2007 to August 31, 2008 and June 1, 2006 to August 31, 2007 in accordance with Canadian generally accepted accounting principles.

"De Visser Gray LLP"

### **CHARTERED ACCOUNTANTS**

Vancouver, British Columbia  
December 16, 2008

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Consolidated Balance Sheets

	August 31 2008	August 31 2007
<b>A S S E T S</b>		
<b>Current</b>		
Cash and equivalents	\$ 562,754	\$ 864,772
Amounts receivable	12,368	301,531
Prepaid expenses	19,500	26,072
	<u>594,622</u>	<u>1,192,375</u>
<b>Equipment (Note 5)</b>	<b>1,839</b>	<b>2,627</b>
<b>Mineral Properties (Note 6)</b>	<b>701,664</b>	<b>856,614</b>
	<u>\$ 1,298,125</u>	<u>\$ 2,051,616</u>

## L I A B I L I T I E S

### Current

Accounts payable and accrued liabilities	\$ 168,919	\$ 114,333
Due to related parties (Note 7)	247,372	266,149
	<u>\$ 416,291</u>	<u>\$ 380,482</u>

## S H A R E H O L D E R S ' E Q U I T Y

Share capital (Note 9)	\$ 3,924,698	\$ 3,689,113
Contributed surplus (Note 9)	140,674	101,602
Deficit	(3,183,538)	(2,119,581)
	<u>881,834</u>	<u>1,671,134</u>
	<u>\$ 1,298,125</u>	<u>\$ 2,051,616</u>

**Continued Operations (Note 2)**

**Commitment (Note 13)**

**Subsequent Events (Note 14)**

Approved by the Board of Directors:

*"V.F. Erickson"*

\_\_\_\_\_  
Director

*"D. W. Childs"*

\_\_\_\_\_  
Director

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Consolidated Statements of Operations and Deficit

	For the twelve month period ended August 31, 2008	For the fifteen month period ended August 31, 2007
<b>Expenses</b>		
Advertising and promotion	\$ 1,901	\$ 3,034
Amortization	788	1,352
Bank charges and interest	440	1,332
Consulting/management fees	65,173	75,000
Flow-through tax penalty	-	44,678
General exploration	21,944	59,510
Investor relations	25,396	65,954
Legal, accounting and audit	63,040	66,025
Office and miscellaneous	9,832	44,991
Regulatory and filing fees	21,724	38,476
Stock-based compensation (Note 9)	39,072	41,440
Travel and accommodation	9,856	8,971
<b>Net loss before other items</b>	<b>(259,166)</b>	<b>(450,763)</b>
Future income tax recovery (Note 8)	-	616,719
Interest income	16,390	63,876
Write-off of mineral properties	(821,181)	(1,157,674)
<b>Net loss for the period</b>	<b>(1,063,957)</b>	<b>(927,842)</b>
<b>Deficit - beginning of period</b>	<b>(2,119,581)</b>	<b>(1,191,739)</b>
<b>Deficit - end of period</b>	<b>\$ (3,183,538)</b>	<b>\$ (2,119,581)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.04)</b>	<b>\$ (0.04)</b>
<b>Weighted-average number of common shares</b>	<b>23,972,451</b>	<b>24,298,067</b>

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Consolidated Statements of Cash Flows

	For the twelve month period ended August 31, 2008	For the fifteen month period ended August 31, 2007
<b>Cash Provided by (Used for):</b>		
<b>Operating Activities</b>		
Net loss for the period	\$ (1,063,957)	\$ (927,842)
Adjustments for items not involving cash:		
Amortization	788	1,352
Stock-based compensation	39,072	41,440
Write-off of mineral properties	821,181	1,157,674
Future income tax recovery	-	(616,719)
	<u>(202,916)</u>	<u>(344,095)</u>
Changes in non-cash working capital components:		
Amounts receivable	8,420	13,194
Prepaid expenses	6,572	(8,572)
Accounts payable and accrued liabilities	(51,882)	(236,061)
Due to related parties	(35,086)	256
	<u>(274,892)</u>	<u>(575,278)</u>
<b>Investing Activities</b>		
Exploration advances	-	161,932
Mineral property expenditures	(209,961)	(1,566,193)
Purchase of equipment	-	(1,912)
	<u>(209,961)</u>	<u>(1,406,173)</u>
<b>Financing Activities</b>		
Share issue costs	(17,165)	(29,126)
Cash received for share capital	200,000	410,000
	<u>182,835</u>	<u>380,874</u>
<b>Net cash provided (used) during the period</b>	<b>(302,018)</b>	<b>(1,600,577)</b>
<b>Cash and equivalents - beginning of period</b>	<b>864,772</b>	<b>2,465,349</b>
<b>Cash and equivalents - end of period</b>	<b>\$ 562,754</b>	<b>\$ 864,772</b>

**Non-cash Investing and Financing Activities** (Note 11)

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Notes to the Consolidated Financial Statements

August 31, 2008 and August 31, 2007

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### 1. Nature of Operations:

The Company was incorporated under the Ontario Business Corporations Act and continued into British Columbia in 2007. Its principal activity is the acquisition and exploration of resource properties. The Company is currently in the exploration stage of developing its resource properties and has not yet been able to determine whether any of these properties contain resources that are economically recoverable.

### 2. Continued Operations:

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has incurred operating losses since inception, has limited financial resources, no source of operating cash flow, and no assurances that sufficient funding, including adequate financing, will be available to conduct further exploration and development of its mineral property projects.

The Company's ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to complete its mineral projects by issuance of share capital or through joint ventures, and to realize future profitable production or proceeds from the disposition of its mineral interests.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate because management believes that the actions taken or planned will mitigate the adverse conditions and events that raise doubt about the validity of the going concern assumption used in preparing these consolidated financial statements. If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying values of assets, liabilities, the reported income and expenses and the balance sheet classifications used.

### 3. Significant Accounting Policies:

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of significant accounting policies used in the preparation of these financial statements.

#### a) Amortization

Amortization is being provided for computer equipment at 30% of the declining balance. In the year of acquisition the rate for amortization is at one-half the annual rate.

#### b) Asset Retirement Obligations

This policy requires recognition of a legal liability for obligations relating to retirement of tangible long-term assets, and arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement costs must be recognized at fair value, when a reasonable estimate of fair value can be estimated, in the year in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life. As at August 31, 2008 and August 31, 2007, the Company does not have any asset retirement obligations.

#### c) Basis of Presentation and Principles of Consolidation

These consolidated financial statements include the accounts of the parent Company and its wholly owned subsidiaries Cadillac West Explorations Inc. and Cadillac South Explorations Inc. All significant intercompany accounts and transactions have been eliminated.

The Company's efforts and those of its subsidiaries are devoted to exploring their mineral properties and acquiring new mineral properties. Accordingly, these consolidated financial statements represent those of a company in the exploration stage.

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Notes to the Consolidated Financial Statements

August 31, 2008 and August 31, 2007

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### 3. Significant Accounting Policies: (continued)

#### c) Basis of Presentation and Principles of Consolidation (continued)

The Company is in the process of exploring mineral properties and has not yet determined whether the properties contain resources that are economically recoverable. The recovery of amounts shown for mineral properties and related assets are dependent on the existence of economically recoverable resources, on the ability of the Company to obtain financing to complete development, and on future profitable operations.

#### d) Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

#### e) Fair Value of Financial Instruments

Effective September 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") relating to financial instruments. These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

##### (i) Section 3855 Financial Instruments – Recognition and Measurement.

This standard sets out criteria for the recognition and measurement of financial instruments for fiscal years beginning on or after October 1, 2006. This standard requires all financial instruments within its scope, Section 3855 Financial Instruments – Recognition and Measurement including derivatives, to be included on a Company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are to be recognized in the statements of operations and comprehensive income (loss).

All financial instruments are classified into one of the following five categories: held for trading, held to maturity, loans and receivable, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost.
- Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income (loss) until the asset is removed from the balance sheet.
- Held for trading financial instruments are measured at fair value. All gains and losses are included in net earnings (loss) in the year in which they arise.
- All derivative financial instruments are measured at fair value, even when they are part of a hedging relationship. All gains and losses are included in net earnings (loss) in the year in which they arise.

##### (ii) Section 1530 – Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events, and circumstances from other than the Company's shareholders. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other "comprehensive income (loss)" until it is considered appropriate to recognize into net earnings (loss). This standard requires the presentation of comprehensive income (loss), and its components in a separate financial statement that is displayed with the same prominence as the other financial statements.

For August 31, 2008 the Company does not have any accumulated comprehensive income and the current comprehensive loss equals net loss.

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Notes to the Consolidated Financial Statements

August 31, 2008 and August 31, 2007

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### 3. Significant Accounting Policies: (continued)

The following pronouncements recently issued by the CICA will likely impact the Company's future accounting policies:

(i) CICA Handbook *Section 1535 – Capital Disclosures*

This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for the Company for interim and annual periods relating to fiscal years beginning on or after January 1, 2008. The Company is currently evaluating the effects of adopting this standard.

**f) Accounting Policies Not Yet Adopted**

(ii) *Financial Instruments – Disclosure (Section 3862) and Presentation (Section 3863)*

these standards replace CICA 3861, *Financial Instruments – Disclosure and Presentation*. They increase the disclosures currently required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. This standard is effective for the Company for interim and annual periods beginning on or after January 1, 2008. The Company expects that its disclosures will be expanded to incorporate the additional requirements.

(iii) *International Financial Reporting Standards ("IFRS")*

In February 2008 the Canadian Accounting Standards Board announced 2011 as the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The specific implementation is set for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require restatement for comparative purposes of amounts reported by the Company for the year ended August 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

**g) Flow-Through Shares**

The Company accounts for flow-through shares using the recommendations of the Emerging Issues Committee EIC-146. Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective tax rate) thereby reducing share capital.

If the Company has sufficient unused tax losses and deductions ("losses") to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, a portion of such unrecognized losses (losses multiplied by the effective corporate tax rate) is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

In December 2006 the Company renounced \$1,807,500 raised through the issuance of flow-through shares resulting in the recording of a future income tax recovery of \$616,719.

# CADILLAC MINING CORPORATION

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## Notes to the Consolidated Financial Statements

August 31, 2008 and August 31, 2007

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### 3. Significant Accounting Policies: (continued)

#### h) Future Income Taxes

The Company accounts for potential future net tax assets which are attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and which are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized. Such an allowance has been applied to all potential income tax assets of the Company.

#### i) Loss Per Share

Basic loss per share has been calculated using the weighted average number of shares outstanding during the year. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise or conversion of stock options, warrants, and convertible securities using the treasury stock method, if dilutive. Diluted loss per common share does not differ from basic loss per share because the effects on loss per common share are not dilutive.

#### j) Mineral Exploration Tax Credits ("METC") and Refundable Mining Duties ("RMD")

The Company recognizes METC amounts when the Company's METC application is approved by Canada Revenue Agency and Revenu Quebec auditors or when the amount to be received can be reasonably estimated and collection is reasonably assured.

The Company recognizes RMD amounts when the Company's RMD application is approved by Ministere des Ressources Naturelles or when the amount to be received can be reasonably estimated and collection is reasonably assured.

#### k) Mineral Properties

The cost of mineral properties and their related direct exploration costs are deferred until the properties are placed into production, sold or abandoned. These deferred costs will be amortized on the unit-of-production basis over the estimated useful life of the properties following the commencement of production, or written-off if the properties are allowed to lapse, or are sold or abandoned.

Cost includes any cash consideration and the fair market value of shares issued on the acquisition of property interests. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property acquisition costs and all related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

The Company reviews capitalized costs on its property interests on a periodic basis and will recognize an impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. Management's assessment of the property's estimated current fair market value is also based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

Administrative costs are expensed as incurred.

#### l) Environmental Expenditures

The operations of the Company have been and may in the future, be affected in varying degrees by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly from country to country and are not predictable.

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Notes to the Consolidated Financial Statements

August 31, 2008 and August 31, 2007

### 3. Significant Accounting Policies: (continued)

#### m) Costs of Maintaining Mineral Properties

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

#### n) Share Capital

- i) The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company, net of issue costs.
- ii) Share capital issued to third parties for non-monetary consideration is recorded at an amount based on fair market value.
- iii) Costs incurred to issue shares are deferred until the shares are issued, at which time these costs are charged to share capital.

#### o) Stock-Based Compensation

All stock-based awards made to employees and non-employees are measured and recognized using a fair value-based method.

### 4. Fair Value of Financial Instruments:

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

### 5. Equipment:

	Cost	Accumulated Amortization	Net	
			August 31 2008	August 31 2008
Computer equipment	\$ 4,828	\$ 2,989	\$ 1,839	\$ 2,627

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Notes to the Consolidated Financial Statements

August 31, 2008 and August 31, 2007

### 6. Mineral Properties:

	August 31, 2008			August 31, 2007		
	Balance beginning \$	Expenditures \$	Ending Balance \$	Balance beginning \$	Expenditures \$	Ending Balance \$
<b>Osilinka-Cat Mtn</b>						
Acquisition	-	7,006	7,006	-	-	-
Assaying & analysis	-	9,870	9,870	-	-	-
Board and lodging	-	32,245	32,245	-	-	-
Consulting	6,750	56,542	63,292	-	6,750	6,750
Drilling	-	199,549	199,549	-	-	-
Material and supplies	13	18,025	18,038	-	13	13
Transportation	-	8,927	8,927	-	-	-
Balance, end of year	6,763	332,164	338,927	-	6,763	6,763
<b>Herd Dome</b>						
Acquisition	-	5,612	5,612	-	-	-
Consulting	-	1,500	1,500	-	-	-
Balance, end of year	-	7,112	7,112	-	-	-
<b>Kanasuta</b>						
Assaying & analysis	7,444	-	7,444	-	7,444	7,444
Board and lodging	3,996	-	3,996	-	3,996	3,996
Consulting	16,748	-	16,748	-	16,748	16,748
Drilling	111,604	-	111,604	-	111,604	111,604
Filing fees	7,411	-	7,411	-	7,411	7,411
Geological	37,893	-	37,893	-	37,893	37,893
Material and supplies	3,842	-	3,842	-	3,842	3,842
Transportation	1,707	-	1,707	-	1,707	1,707
Balance, end of year	190,645	-	190,645	-	190,645	190,645
<b>Kekeko</b>						
	Balance beginning \$	Expenditures \$	Ending Balance \$	Balance beginning \$	Expenditures \$	Ending Balance \$
Assaying & analysis	19,694	-	19,694	-	19,694	19,694
Board and lodging	11,013	-	11,013	-	11,013	11,013
Consulting	42,534	-	42,534	-	42,534	42,534
Drilling	430,357	-	430,357	-	430,357	430,357
Geochemical	9,352	-	9,352	-	9,352	9,352
Geological	8,396	-	8,396	-	8,396	8,396
Material and supplies	7,740	-	7,740	-	7,740	7,740
Transportation	4,477	-	4,477	-	4,477	4,477
Balance, end of year	533,563	-	533,563	-	533,563	533,563

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Notes to the Consolidated Financial Statements

August 31, 2008 and August 31, 2007

### 6. Mineral Properties: (continued)

#### Lac Fortune

Acquisition	-	-	-	10,000	10,000	20,000
Assaying & analysis	-	-	-	9,064	20,578	29,642
Board and lodging	-	-	-	-	5,063	5,063
Consulting	-	-	-	26,179	21,700	47,879
Drilling	-	-	-	156,893	208,573	365,466
Filing fees	-	-	-	238	-	238
Geochemical	-	-	-	12,546	5,769	18,315
Geological	-	-	-	8,612	28,000	36,612
Material and supplies	-	-	-	-	4,689	4,689
Transportation	-	-	-	6,207	734	6,941
Total	-	-	-	229,739	305,106	534,845
Written off	-	-	-	-	(534,845)	(534,845)
Balance, end of year	-	-	-	229,739	(229,739)	-

#### Norcoeur

Assaying & analysis	-	-	-	10,778	28,124	38,902
Board and lodging	-	-	-	-	3,671	3,671
Consulting	-	-	-	39,929	53,219	93,148
Drilling	-	-	-	130,652	246,443	377,095
Geochemical	-	-	-	6,821	4,614	11,435
Geological	-	-	-	12,442	57,655	70,097
Material and supplies	-	-	-	-	14,397	14,397
Transportation	-	-	-	3,854	10,230	14,084
Total	-	-	-	204,476	418,353	622,829
Written off	-	-	-	-	(622,829)	(622,829)
Balance, end of year	-	-	-	204,476	(204,476)	-

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Notes to the Consolidated Financial Statements

August 31, 2008 and August 31, 2007

### 6. Mineral Properties: (continued)

	August 31, 2008			August 31, 2007		
	Balance beginning \$	Expenditures \$	Ending Balance \$	Balance beginning \$	Expenditures \$	Ending Balance \$
<b>N Dasserat-Gan</b>						
Acquisition	367	-	367	-	367	367
Assaying & analysis	14,692	-	14,692	-	14,692	14,692
Board and lodging	6,288	-	6,288	-	6,288	6,288
Consulting	7,666	-	7,666	-	7,666	7,666
Drilling	130,174	-	130,174	-	130,174	130,174
Geochemical	6,213	-	6,213	-	6,213	6,213
Geological	26,121	598	26,719	-	26,121	26,121
Material and supplies	2,840	-	2,840	-	2,840	2,840
Transportation	641	-	641	-	641	641
Total	195,002	598	195,600	-	195,002	195,002
Written off	-	(195,600)	(195,600)	-	-	-
Balance, end of year	195,002	(195,002)	-	-	195,002	195,002
<b>Santa Maria</b>						
Acquisition	-	21,362	21,362	-	-	-
Assaying & analysis	-	4,585	4,585	-	-	-
Board and lodging	-	10,557	10,557	-	-	-
Consulting	5,750	23,572	29,322	-	5,750	5,750
Drilling	-	131,301	131,301	-	-	-
Material and supplies	-	7,038	7,038	-	-	-
Transportation	-	4,950	4,950	-	-	-
Total	5,750	203,365	209,115	-	5,750	5,750
Written off	-	(209,115)	(209,115)	-	-	-
Balance, end of year	5,750	(5,750)	-	-	5,750	5,750
<b>Silver Streak</b>						
Acquisition	-	7,750	7,750	-	-	-
Assaying & analysis	-	5,188	5,188	-	-	-
Board and lodging	-	843	843	-	-	-
Consulting	-	25,948	25,948	-	-	-
Drilling	-	81,807	81,807	-	-	-
Filing fees	-	727	727	-	-	-
Material and supplies	-	1,255	1,255	-	-	-
Transportation	-	1,086	1,086	-	-	-
Balance, end of year	-	124,604	124,604	-	-	-

# CADILLAC MINING CORPORATION

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## Notes to the Consolidated Financial Statements

August 31, 2008 and August 31, 2007

### 6 Mineral Properties: (continued)

Staked Claims	August 31, 2008			August 31, 2007		
	Balance beginning	Expenditures	Ending Balance	Balance beginning	Expenditures	Ending Balance
	\$	\$	\$	\$	\$	\$
Acquisition	23,435	-	23,435	12,884	10,551	23,435
Assaying & analysis	2,049	663	2,712	-	2,049	2,049
Board and lodging	1,569	-	1,569	1,494	75	1,569
Consulting	41,525	1,000	42,525	45,328	(3,803)	41,525
Drilling	-	22,034	22,034	-	-	-
Filing fees	43,475	11,500	54,975	17,696	25,779	43,475
Geochemical	345,566	-	345,566	342,660	2,906	345,566
Geological	5,858	-	5,858	-	5,858	5,858
Material and supplies	5,455	227	5,682	3,676	1,779	5,455
Transportation	12,452	-	12,452	5,747	6,705	12,452
<b>Balance, end of year</b>	<b>481,384</b>	<b>35,424</b>	<b>516,808</b>	<b>429,485</b>	<b>51,899</b>	<b>481,384</b>
<b>Tuzo Creek</b>						
Acquisition	-	55,067	55,067	-	-	-
Assaying & analysis	-	15,594	15,594	-	-	-
Board and lodging	-	9,337	9,337	-	-	-
Consulting	-	57,828	57,828	-	-	-
Drilling	-	230,906	230,906	-	-	-
Filing fees	-	6,989	6,989	-	-	-
Geological	-	2,450	2,450	-	-	-
Material and supplies	-	25,460	25,460	-	-	-
Transportation	-	12,835	12,835	-	-	-
<b>Total</b>	<b>-</b>	<b>416,466</b>	<b>416,466</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Written off</b>	<b>-</b>	<b>(416,466)</b>	<b>(416,466)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance, end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Wasa</b>						
Assaying & analysis	2,755	-	2,755	-	2,755	2,755
Board and lodging	4,219	-	4,219	-	4,219	4,219
Consulting	3,602	-	3,602	-	3,602	3,602
Drilling	28,419	-	28,419	-	28,419	28,419
Geochemical	1,374	-	1,374	-	1,374	1,374
Material and supplies	955	-	955	-	955	955
Transportation	462	-	461	-	461	461
<b>Balance, end of year</b>	<b>41,785</b>	<b>-</b>	<b>41,785</b>	<b>-</b>	<b>41,785</b>	<b>41,785</b>

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Notes to the Consolidated Financial Statements

August 31, 2008 and August 31, 2007

### 7 Mineral Properties: (continued)

	August 31, 2008			August 31, 2007		
	Balance beginning \$	Expenditures \$	Ending Balance \$	Balance beginning \$	Expenditures \$	Ending Balance \$
<b>Total</b>						
Total	1,454,892	1,119,733	2,574,625	863,700	1,748,866	2,612,566
Written off	-	(821,181)	(821,181)	-	(1,157,674)	(1,157,674)
	1,454,892	298,552	1,753,444	863,700	591,192	1,454,892
Mining Duty refund	(26,952)	(114,518)	(141,470)	-	(26,952)	(26,952)
Quebec METC	(571,326)	(338,984)	(910,310)	(134,862)	(436,464)	(571,326)
	(598,278)	(453,502)	(1,051,780)	(134,862)	(463,416)	(598,278)
Balance, end of year	856,614	(154,950)	701,664	728,838	127,776	856,614

### Details of Mineral Properties

#### a) Osilinka-Cat Mountain

The Company issued 50,000 common shares at \$ 0.125 per common share to Lysander Minerals Corporation, pursuant to a Memorandum of Understanding dated September 26, 2007 by which the Company has the option to earn a 50% interest in 23 mining claims in the Omineca Mining Division, BC. Consideration is cumulative exploration expenditures of \$ 2,000,000 by December 31, 2011 and the issue of 250,000 common shares by December 31, 2010.

#### b) Herd Dome

The Company has an option dated May 21, 2008 to acquire a 100% interest in the Herd Dome property by expending \$350,000 on exploration over five years, and making payments totaling \$135,000 and 300,000 shares over a 4-year period. The initial payments of \$5000 and 25,000 shares have been made. The vendor will retain a production royalty comprising 3% of net smelter return ("NSR"), of which the Company can purchase two-thirds or 2% for \$2,000,000 and 50,000 shares.

#### c) Santa Maria

The Company issued 100,000 common shares at \$ 0.105 per common share to Bearclaw Capital Corp., pursuant to an option agreement dated August 23, 2007 by which the Company could earn up to a 75% interest in one Mineral Title Online ("MTO") claim in the Omineca Mining Division, BC. Total consideration was cash of \$10,000 (paid), exploration expenditures of \$ 650,000 within four years and issuance of 500,000 common shares within three years. The Company has relinquished the option and written off associated costs at August 31, 2008.

#### d) Silver Streak

The Company signed an option agreement dated November 6, 2007 and amended November 28, 2008 with three arms length vendors by which the Company has the option to earn a 100% interest in nine MTO claims in the Omineca Mining Division, BC, subject to a 1% NSR royalty. Consideration is exploration expenditures of \$ 50,000 within one year (completed) and payment of \$105,000 and 250,000 common shares in stages to November 6, 2012 and November 8, 2011 respectively. Payment of \$5,000 and 25,000 common shares at \$ 0.08 per common share were issued pursuant to this agreement during the year and 25,000 common shares subsequent to the year. The NSR royalty may be purchased for \$1,000,000.

# CADILLAC MINING CORPORATION

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## Notes to the Consolidated Financial Statements

August 31, 2008 and August 31, 2007

### 6. Mineral Properties: (continued)

#### e) Staked Claims, Kanasuta, Kekeko, North Dassart-Gan and Wasa Rouyn, Beauchastel, Dasserat and Montbray Townships

The Company has 100% interest in 259 mining claims in these Quebec townships, subject to a 1.5% NSR to the President and a director on production exceeding 100,000 oz. gold.

#### f) Tuzo Creek

The Company under an assignment agreement dated December 21 2007 obtained the option to purchase a 100% interest in the 1746-hectare property in Greenwood Mining Division, BC. The assignment and option agreements required the Company to pay the claim owner and optionee an aggregate of \$90,000 and 1,100,000 common shares over a two-year period. The Company issued 400,000 shares valued at \$0.085 each and paid \$20,000 pursuant to the agreement during the year. The Company has relinquished its option and written off all costs at August 31, 2008.

### 7. Due to Related Parties:

As at August 31, 2008 - \$247,372 (August 31, 2007 - \$266,149) was owed to companies controlled by directors and officers.

All amounts due to related parties are unsecured, bear no interest and have no fixed terms for repayment.

The following related party transactions were incurred in the normal course of operations and were measured at their fair value as determined by management.

	<b>August 31, 2008 12 months</b>	<b>August 31, 2007 15 months</b>
Management fees charged by a company controlled by the President	\$ 60,000	\$ 75,000
Exploration consulting /management fees charged by company controlled by a director	66,300	158,600
Consulting and accounting fees charged by a company controlled by an officer	30,500	20,392

### 8. Future Income Tax Recovery:

The recognition of future income tax recovery arises from the application of recognized tax losses to future income tax liability from renunciation of flow-through expenditures.

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Notes to the Consolidated Financial Statements

August 31, 2008 and August 31, 2007

### 9. Share Capital:

#### a) Share Capital

Authorized:

Unlimited common shares without par value.

	Number	Amount
Balance, May 31, 2006	23,053,132	\$ 3,904,958
Private placements net of issuance costs of \$29,126 <sup>(1)</sup>	820,000	380,874
Share gross up <sup>(2)</sup>	589,071	-
Debt settlement <sup>(3)</sup>	16,667	20,000
Future income tax recovery (note 3)	-	(616,719)
Balance, August 31, 2007	24,478,870	3,689,113
Acquisitions of mineral claims <sup>(4)</sup>	100,000	10,500
Acquisitions of mineral claims <sup>(5)</sup>	50,000	6,250
Acquisitions of mineral claims <sup>(6)</sup>	25,000	2,000
Acquisitions of mineral claims <sup>(7)</sup>	400,000	34,000
Share relinquished pursuant to escrow agreement <sup>(8)</sup>	(2,059,042)	-
Private placement net of issue costs of \$ 17,165 <sup>(9)</sup>	2,000,000	182,835
Balance, August 31, 2008	24,994,828	\$ 3,924,698

- 1) During the period ended August 31, 2007, the Company issued an additional 57 A units and 25 B Units at a price of \$5,000 per unit in respect of a second closing of a brokered private placement of a total of 820,000 common shares at \$0.50 per common share. The A units consisted of 2,500 common shares, 7,500 flow-through shares and 2,500 share purchase warrants. The B units consisted of 10,000 common shares and 10,000 share purchase warrants. Each share purchase warrant entitled the holder to purchase one common share at a price of \$0.55 on or before July 10, 2007 and at a price of \$0.75 on or before July 10, 2008. Issuance costs of \$29,126 were netted against the proceeds.
- 2) During the period ended August 31, 2007, the Company issued 589,071 common shares to former Eclips Inc. shareholders as part of an undertaking to ensure each former shareholder owned a minimum of 500 common shares in the Company.
- 3) During the period ended August 31, 2007, the Company issued 16,667 common shares valued at \$20,000 for a debt settlement.
- 4) The Company issued 100,000 common shares at \$0.105 per common share pursuant to an option agreement dated August 23, 2007 to earn up to a 75% interest in the Santa Maria property in the Omineca Mining Division, BC.
- 5) The Company issued 50,000 common shares at a deemed price of \$0.125 per share pursuant to a Memorandum of Understanding dated September 26, 2007 whereby it acquired the option to earn a 50% interest in 23 mining claims comprising the Osilinka-Cat Mountain property in the Omineca Mining Division, BC.
- 6) The Company issued 25,000 common shares at a deemed price of \$0.08 per common share pursuant to an option agreement dated November 6, 2007 and amended November 28, 2008 to earn a 100% interest in nine MTO claims comprising the Silver Steak property in the Omineca Mining Division, BC.
- 7) The Company issued 400,000 common shares at a deemed price of \$0.085 per common share pursuant to an assignment agreement dated December 21, 2007 by which the Company obtained an option to purchase a 100% interest in the 1746-hectare Tuzo Creek property in Greenwood Mining Division, BC.

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Notes to the Consolidated Financial Statements

August 31, 2008 and August 31, 2007

### 9 Share Capital: (continued)

#### a) Share Capital (continued)

- 8) The Company relinquished its option on the Lac Fortune and Norcoeur properties during the comparative year and pursuant to an escrow agreement 2,059,042 common shares were returned to treasury.
- 9) On July 22, 2008, the Company completed a private placement of 2,000,000 units at a price of \$0.10 per unit. Each unit was comprised of one flow-through common share and one share purchase warrant, exercisable into one share at \$0.15 per warrant on or before January 23, 2010. Finders' fees included 200,000 Agent Options, exercisable into units with the same terms as the offering, and payment of \$10,000. Issuance costs of \$17,165 were netted against the proceeds.

#### b) Stock Options

The Company grants options to employees, directors and agents in accordance with the rules of the Exchange. Options vest over a period of time pursuant the Company's stock option plan. The following table provides details of stock options, including options to agents:

	August 31, 2008		August 31, 2007	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	1,600,000	\$ 0.500	37,500	\$ 1.200
Granted	2,280,000	0.100	1,600,000	0.500
			0	
Exercised	-	-	-	-
Cancelled	(1,600,000)	(0.500)	(37,500)	(1.200)
Expired	-	-	-	-
Outstanding, end of year	2,280,000	\$ 0.100	1,600,000	\$ 0.500
			0	

At August 31, 2008 the weighted-average remaining contractual life of options outstanding is 2.96 years (August 31, 2007 – 3.50). At August 31, 2008 2,280,000 (2007 – 1,600,000) options have vested.

#### c) Agents Options

The Company granted 200,000 Agents Options as a finders' fee on its private placement of July 22, 2008. Each option is exercisable into one unit at \$0.10 per unit, each unit comprising one flow-through common share and one share purchase warrant entitling the holder to a common share for \$0.15 per warrant on or before January 23, 2010. At August 31, 2008 the weighted average contractual life of the agents options outstanding is 1.39 years.

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Notes to the Consolidated Financial Statements

August 31, 2008 and August 31, 2007

### 9 Share Capital: (continued)

#### d) Warrants

The continuity of share purchase warrants outstanding is as follows:

	August 31, 2008		August 31, 2007	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	4,860,600	\$ 0.60	5,118,100	\$ 0.57
Issued	2,000,000	0.15	392,500	0.75
Expired	(3,404,600)	0.75	(650,000)	0.24
Balance, end of year	3,456,000	\$ 0.19	4,860,600	\$ 0.60

At August 31, 2008 the weighted-average remaining contractual life of warrants outstanding is 0.91 years (August 31, 2007 – 1.0).

#### e) Contributed Surplus

The fair value of stock options granted during the year ended August 31, 2008 is \$39,072. This has been determined using the Black-Scholes Option Pricing Model with the following assumptions: a risk free interest rate of 4.25%; an expected life of three years and expected volatility of 37.5%.

The fair value of stock options granted during the period ended August 31, 2007 is \$41,440. This has been determined using the Black-Scholes Option Pricing Model with the following assumptions: a risk free interest rate of 4.3%; an expected life of five years and expected volatility of 26%. These options were cancelled during the year.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option and warrant grants.

### 10. Income Taxes:

A reconciliation of income taxes at statutory rates is as follows:

	August 31, 2008	August 31, 2007
Consolidated loss for the year	\$ (1,063,957)	\$ (1,182,430)
Expected income tax recovery	(340,785)	(403,445)
Net adjustment for amortization, deductible and non-deductible amounts	282,568	290,340
Unrecognized benefit of non-capital losses	58,217	113,105
Total income taxes	\$ -	\$ -

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Notes to the Consolidated Financial Statements

August 31, 2008 and August 31, 2007

### 10. Income Taxes: (continued)

	August 31, 2008	August 31, 2007
Future income tax assets:		
Mineral properties	\$ 621,360	\$ (323,525)
Non-capital losses carry forward	1,091,764	1,093,495
Equipment and other	141,263	101,345
	<u>1,854,387</u>	<u>871,315</u>
Valuation allowance	<u>(1,854,387)</u>	<u>(871,315)</u>
Net future tax assets	\$ -	\$ -

The Company has estimated non-capital losses available at August 31, 2008 to reduce future taxable income in Canada expiring as follows:

Year of Expiry	
2009	\$ 443,900
2010	297,500
2014	10,800
2015	749,900
2026	806,500
2027	1,340,400
2028	181,800
<u>Total</u>	<u>\$ 3,830,800</u>

Subject to certain restrictions, the Company also had mineral property expenditures of approximately \$2,882,000 at August 31, 2008, formerly available to reduce taxable income in future years. The Company has not recognized any future benefit for these tax losses and resource deductions as it is not considered likely that they will be utilized.

### 11. Non-cash Investing and Financing Activities:

During the year ended August 31, 2008, the Company issued 575,000 common shares valued at \$52,750 for the acquisition of mineral claims.

During the year ended August 31, 2007, the Company issued 16,667 common shares valued at \$20,000 for settlement of debt.

### 12. Comparative Figures:

Certain comparative figures have been reclassified to conform to the current year's presentation.

### 13. Commitment:

At August 31, 2008, the Company is obligated to incur approximately \$28,384 in eligible expenditures prior to December 31, 2008, in order to complete obligations entered into under flow-through share purchase agreements totalling \$200,000.

### 14. Subsequent Events:

The Company has substantially met its flow-through expenditure obligations.

The Company, subsequent to August 31, 2008 issued 25,000 common shares under an option agreement for the Herd Dome Property and a further 25,000 shares to vendors of the Silver Streak Property.