

CADILLAC MINING CORPORATION

(An Exploration Stage Company)

Consolidated Financial Statements

August 31, 2009

and

August 31, 2008

AUDITORS' REPORT

To the Shareholders of Cadillac Mining Corporation,

We have audited the consolidated balance sheets of Cadillac Mining Corporation as at August 31, 2009 and August 31, 2008 and the consolidated statement of operations, comprehensive loss and deficit and cash flows for the years then ended. 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, 2009 and August 31, 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS

Vancouver, British Columbia
December 16, 2009

CADILLAC MINING CORPORATION

(An Exploration Stage Company)

Consolidated Balance Sheets

	August 31 2009	August 31 2008
A S S E T S		
Current		
Cash and equivalents	\$ 377,483	\$ 562,754
Amounts receivable	7,748	12,368
Prepaid expenses	-	19,500
	<u>385,231</u>	<u>594,622</u>
Equipment (Note 5)	1,287	1,839
Mineral Properties (Note 6)	319,141	701,664
	<u>\$ 705,659</u>	<u>\$ 1,298,125</u>

L I A B I L I T I E S

Current

Accounts payable and accrued liabilities	\$ 64,353	\$ 168,919
Due to related parties (Note 7)	381,045	247,372
	<u>\$ 445,398</u>	<u>\$ 416,291</u>

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

Share capital (Note 9)	\$ 3,875,448	\$ 3,924,698
Contributed surplus (Note 9)	155,224	140,674
Deficit	(3,770,411)	(3,183,538)
	<u>260,261</u>	<u>881,834</u>
	<u>\$ 705,659</u>	<u>\$ 1,298,125</u>

Continued Operations (Note 2)

Subsequent Events (Note 14)

Approved by the Board of Directors:

"V.F. Erickson"

Director

"D. W. Childs"

Director

CADILLAC MINING CORPORATION

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Consolidated Statements of Operations, Comprehensive Loss and Deficit

	For the year ended August 31 2009	For the year ended August 31 2008
Expenses		
Advertising and promotion	\$ 245	\$ 1,901
Amortization	552	788
Bank charges and interest	229	440
Consulting/management fees	62,500	65,173
General exploration	82,947	21,944
Investor relations	8,796	25,396
Legal, accounting and audit	40,383	63,040
Office and miscellaneous	11,504	9,832
Regulatory and filing fees	15,349	21,724
Stock-based compensation (Note 9)	14,550	39,072
Travel and accommodation	5,229	9,856
Net loss and comprehensive loss before other items	(242,284)	(259,166)
Future income tax recovery (Note 8)	52,000	-
Interest income	6,189	16,390
Write-off of mineral properties	(402,778)	(821,181)
Net loss and comprehensive loss for the year	(586,873)	(1,063,957)
Deficit - beginning of year	(3,183,538)	(2,119,581)
Deficit - end of year	\$ (3,770,411)	\$ (3,183,538)
Basic and diluted loss per common share	\$ (0.02)	\$ (0.04)
Weighted-average number of common shares outstanding	25,038,047	23,972,451

CADILLAC MINING CORPORATION

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Consolidated Statements of Cash Flows

	For the year ended August 31 2009	For the year ended August 31 2008
Cash Provided by (Used for):		
Operating Activities		
Net loss for the year	\$ (586,873)	\$ (1,063,957)
Adjustments for items not involving cash:		
Amortization	552	788
Stock-based compensation	14,550	39,072
Write-off of mineral properties	402,778	821,181
Future income tax recovery	(52,000)	-
	<u>(220,993)</u>	<u>(202,916)</u>
Changes in non-cash working capital components:		
Amounts receivable	4,620	8,420
Prepaid expenses	19,500	6,572
Accounts payable and accrued liabilities	(4,631)	(51,882)
Due to related parties	72,840	(35,086)
	<u>(128,664)</u>	<u>(274,892)</u>
Investing Activities		
Mineral property expenditures	(56,607)	(209,961)
Financing Activities		
Share issue costs	-	(17,165)
Cash received for share capital	-	200,000
	<u>-</u>	<u>182,835</u>
Net cash used during the year	(185,271)	(302,018)
Cash and equivalents - beginning of year	562,754	864,772
Cash and equivalents - end of year	\$ 377,483	\$ 562,754

Non-cash Investing and Financing Activities (Note 11)

CADILLAC MINING CORPORATION

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

August 31, 2009 and August 31, 2008

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 ("GAAP"). 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, 2009 and August 31, 2008, 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, 2009 and August 31, 2008

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) Costs of Maintaining Mineral Properties

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

f) 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.

g) Fair Value of Financial Instruments

The Company's financial instruments consists of cash and equivalents, amounts receivable, accounts payable, accrued liabilities and due to related parties, the fair value of which approximate their carrying amounts due to the short term nature of these instruments.

h) 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 2008 the Company renounced \$200,000 raised through the issuance of flow-through shares resulting in the recording of a future income tax recovery of \$52,000.

i) 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.

j) 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.

CADILLAC MINING CORPORATION

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Notes to the Consolidated Financial Statements

August 31, 2009 and August 31, 2008

3. Significant Accounting Policies: (continued)

k) 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 applicable provincial 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 Ministère des Ressources Naturelles or when the amount to be received can be reasonably estimated and collection is reasonably assured.

l) 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.

m) 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.

n) Stock-Based Compensation

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

o) Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses incurred during the periods. Actual results could differ from those estimated.

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4. Changes in Accounting Policies

Adoption of New Accounting Standards

Assessing Going Concern

Effective September 1, 2008, the company adopted new Canadian Institute of Chartered Accountants ("CICA") Handbook section 1400 which was amended to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The Company has included the required disclosures recommended by Section 1400 in Note 2 of these consolidated financial statements.

Capital Disclosure

Effective September 1, 2008, the Company adopted new CICA Handbook section 1535 which 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 (note 13).

Financial instruments and Disclosure and Presentation

Effective September 1, 2008, the Company adopted the new CICA Handbook sections 3862 and 3863 which replace CICA Handbook section 3861 Financial Instruments - Disclosure and Presentation. These standards 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 information about exposure to risks arising from financial instruments, including specified minimum disclosure about credit risk, liquidity risk and market risk (note 12). The quantitative disclosures most 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.

The Company's financial instruments at August 31, 2009 consist of cash and cash equivalents, amounts receivable, accounts payable, accrued liabilities and due to related parties. Cash and cash equivalents and amounts receivable have been classified as available for sale. The carrying values approximate their fair values due to their short term nature. Accounts payable, accrued liabilities and due to related parties are classified as other financial liabilities, measured at amortized cost using the effective interest rate method, however due to their short term nature, their carrying amounts approximate fair value.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009, Section 1582 Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces Section 1581, Business Combinations, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS3, Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Section 1601 and 1602 together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is the equivalent to the corresponding provisions of IFRS IAS 27, Consolidated and Separate Financial Statements, and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

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.

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5. Equipment:

	Cost	Accumulated Amortization	Net	
			August 31 2009	August 31 2008
Computer equipment	\$ 4,828	\$ 3,541	\$ 1,287	\$ 1,839

6. Mineral Properties:

	August 31, 2009			August 31, 2008		
	Beginning Balance \$	Expenditures \$	Ending Balance \$	Beginning Balance \$	Expenditures \$	Ending Balance \$
Herd Dome						
Acquisition	5,612	17,500	23,112	-	5,612	5,612
Assaying & analysis	-	184	184	-	-	-
Consulting	1,500	10,194	11,694	-	1,500	1,500
Filing fees	-	2,570	2,570	-	-	-
Transportation	-	1,728	1,728	-	-	-
Total	7,112	32,176	39,288	-	7,112	7,112
Written off	-	(39,288)	(39,288)	-	-	-
Balance, end of year	7,112	(7,112)	-	-	7,112	7,112
Kanasuta						
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	1,433	39,326	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	1,433	192,078	190,645	-	190,645
Kekeko						
Assaying & analysis	19,694	-	19,694	19,694	-	19,694
Board and lodging	11,013	-	11,013	11,013	-	11,013
Consulting	42,534	2,000	44,534	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	2,000	535,563	533,563	-	533,563

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Notes to the Consolidated Financial Statements

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6. Mineral Properties: (continued)

	August 31, 2009			August 31, 2008		
	Beginning Balance \$	Expenditures \$	Ending Balance \$	Beginning Balance \$	Expenditures \$	Ending Balance \$
N Dasserat-Gan						
Acquisition	-	-	-	367	-	367
Assaying & analysis	-	-	-	14,692	-	14,692
Board and lodging	-	-	-	6,288	-	6,288
Consulting	-	-	-	7,666	-	7,666
Drilling	-	-	-	130,174	-	130,174
Geochemical	-	-	-	6,213	-	6,213
Geological	-	-	-	26,121	598	26,719
Material and supplies	-	-	-	2,840	-	2,840
Transportation	-	-	-	641	-	641
Total	-	-	-	195,002	598	195,600
Written off	-	-	-	-	(195,600)	(195,600)
Balance, end of year	-	-	-	195,002	(195,002)	-
Osilinka-Cat Mtn						
Acquisition	7,006	-	7,006	-	7,006	7,006
Assaying & analysis	9,870	-	9,870	-	9,870	9,870
Board and lodging	32,245	-	32,245	-	32,245	32,245
Consulting	63,292	7,565	70,857	6,750	56,542	63,292
Drilling	199,549	-	199,549	-	199,549	199,549
Geological	-	16,998	16,998	-	-	-
Material and supplies	18,038	-	18,038	13	18,025	18,038
Transportation	8,927	-	8,927	-	8,927	8,927
Total	338,927	24,563	363,490	6,763	332,164	338,927
Written off	-	(363,490)	(363,490)	-	-	-
Balance, end of year	338,927	(338,927)	-	6,763	332,164	338,927
Santa Maria						
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
Drilling	-	-	-	-	131,301	131,301
Material and supplies	-	-	-	-	7,038	7,038
Transportation	-	-	-	-	4,950	4,950
Total	-	-	-	5,750	203,365	209,115
Written off	-	-	-	-	(209,115)	(209,115)
Balance, end of year	-	-	-	5,750	(5,750)	-

CADILLAC MINING CORPORATION

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Notes to the Consolidated Financial Statements

August 31, 2009 and August 31, 2008

6. Mineral Properties: (continued)

	August 31, 2009			August 31, 2008		
	Beginning Balance \$	Expenditures \$	Ending Balance \$	Beginning Balance \$	Expenditures \$	Ending Balance \$
Silver Streak						
Acquisition	7,750	250	8,000	-	7,750	7,750
Assaying & analysis	5,188	-	5,188	-	5,188	5,188
Board and lodging	843	-	843	-	843	843
Consulting	25,948	750	26,698	-	25,948	25,948
Drilling	81,807	-	81,807	-	81,807	81,807
Filing fees	727	-	727	-	727	727
Material and supplies	1,255	30	1,285	-	1,255	1,255
Transportation	1,086	-	1,086	-	1,086	1,086
Balance, end of year	124,604	1,030	125,634	-	124,604	124,604
Staked Claims						
Acquisition	23,435	-	23,435	23,435	-	23,435
Assaying & analysis	2,712	1,671	4,383	2,049	663	2,712
Board and lodging	1,569	-	1,569	1,569	-	1,569
Consulting	42,525	-	42,525	41,525	1,000	42,525
Drilling	22,034	-	22,034	-	22,034	22,034
Filing fees	54,975	-	54,975	43,475	11,500	54,975
Geochemical	345,566	-	345,566	345,566	-	345,566
Geological	5,858	1,000	6,858	5,858	-	5,858
Material and supplies	5,682	3,178	8,860	5,455	227	5,682
Transportation	12,452	-	12,452	12,452	-	12,452
Balance, end of year	516,808	5,849	522,657	481,384	35,424	516,808
Tuzo Creek						
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
Total	-	-	-	-	416,466	416,466
Written off	-	-	-	-	(416,466)	(416,466)
Balance, end of year	-	-	-	-	-	-
Wasa						
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	461	-	461	461	-	461
Balance, end of year	41,785	-	41,785	41,785	-	41,785
Total	1,753,444	67,051	1,820,495	1,454,892	1,119,733	2,574,625

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August 31, 2009 and August 31, 2008

6. Mineral Properties: (continued)

	August 31, 2009			August 31, 2008		
	Beginning Balance \$	Expenditures \$	Ending Balance \$	Beginning Balance \$	Expenditures \$	Ending Balance \$
Balance carried forward	1,753,444	67,051	1,820,495	1,454,892	1,119,733	2,574,625
Written off	-	(402,778)	(402,778)	-	(821,181)	(821,181)
	1,753,444	(335,727)	1,417,717	1,454,892	298,552	1,753,444
Less:						
Mining Duty refund	141,470	46,343	187,812	26,952	114,518	141,470
Quebec METC	910,310	453	910,764	571,326	338,984	910,310
	1,051,780	46,796	1,098,576	598,278	453,502	1,051,780
Balance, end of year	701,664	(382,523)	319,141	856,614	(154,950)	701,664

Details of Mineral Properties

a) Herd Dome

The Company had an option dated May 21, 2008 to acquire a 100% interest in the Herd Dome property in the Omineca Mining Division, B.C. 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 \$5,000 and 25,000 shares had been made. The vendor was to retain a production royalty comprising 3% of net smelter return ("NSR"), of which the Company could purchase two-thirds or 2% for \$2,000,000 and 50,000 shares. During the year the Company paid \$15,000 to renew the claims, and issued 25,000 shares at \$0.10 per share pursuant to the option agreement. The Company has relinquished the option and has written off the associated costs at August 31, 2009.

b) Osilinka-Cat Mountain

The Company issued 50,000 common shares at \$ 0.125 per common share to Lysander Minerals Corporation, during the prior year, pursuant to a Memorandum of Understanding dated September 26, 2007 by which the Company had the option to earn a 50% interest in 23 mining claims in the Omineca Mining Division, BC. Consideration was cumulative exploration expenditures of \$ 2,000,000 by December 31, 2011 and the issue of 250,000 common shares by December 31, 2010. The Company relinquished the option and has written off the associated costs at August 31, 2009.

c) Santa Maria

The Company issued 100,000 common shares at \$ 0.105 per common share to Bearclaw Capital Corp., during the prior year, pursuant to an option agreement dated August 23, 2007 by which the Company could earn up to a 75% interest in one 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 the issuance of 500,000 common shares within three years. The Company relinquished the option and wrote off the associated costs as at August 31, 2008.

d) Silver Streak

By an option agreement with three arms-length vendors dated November 6, 2007 and as amended November 28, 2008 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 was to be 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. The Company has renegotiated terms of this agreement to leave \$50,000 in cash payments and 350,000 in share issuances to November 6, 2012 to complete the option. The Company issued 25,000 common shares at \$ 0.01 per common share pursuant to this agreement during the year. The NSR royalty may be purchased for \$1,000,000.

e) Staked Claims, Kanasuta, Kekeko, and Wasa Properties in Rouyn, Beauchastel, and Dasserat Townships, Quebec

The Company has 100% interest in 250 mining claims subject to a 1.5% NSR to the President and a director on production exceeding 100,000 oz. gold.

CADILLAC MINING CORPORATION

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Notes to the Consolidated Financial Statements

August 31, 2009 and August 31, 2008

6. Mineral Properties: (continued)

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 prior year. The Company relinquished the option and wrote off associated costs as at August 31, 2008.

7. Due to Related Parties:

As at August 31, 2009 - \$381,045 (August 31, 2008 - \$247,372) 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.

	August 31, 2009	August 31, 2008
Exploration consulting /management fees charged by a company controlled by the President	\$ 60,000	\$ 60,000
Exploration consulting /management fees charged by company controlled by a director	\$ 60,000	\$ 66,300
Consulting and accounting fees charged by a company controlled by an officer	\$ 21,625	\$ 30,500

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.

9. Share Capital:

a) Share Capital

Authorized:

Unlimited common shares without par value.

	Number of Shares	Amount
Balance, August 31, 2007	24,478,870	\$ 3,689,113
Acquisition of mineral claims ⁽¹⁾	100,000	10,500
Acquisition of mineral claims ⁽²⁾	50,000	6,250
Acquisition of mineral claims ⁽³⁾	25,000	2,000
Acquisition of mineral claims ⁽⁴⁾	400,000	34,000
Shares relinquished pursuant to escrow agreement ⁽⁵⁾	(2,059,042)	-
Private placement net of issue costs of \$ 17,165 ⁽⁶⁾	2,000,000	182,835
Balance, August 31, 2008	24,994,828	3,924,698
Acquisition of mineral claims ⁽⁷⁾	25,000	2,500
Acquisition of mineral claims ⁽⁸⁾	25,000	250
Future income tax recovery (note 3)	-	(52,000)
<u>Balance, August 31, 2009</u>	<u>25,044,828</u>	<u>\$ 3,875,448</u>

CADILLAC MINING CORPORATION

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Notes to the Consolidated Financial Statements

August 31, 2009 and August 31, 2008

9. Share Capital: (continued)

a) Share Capital (continued)

- 1) 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.
- 2) 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.
- 3) 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.
- 4) 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.
- 5) The Company relinquished its option on the Lac Fortune and Norcoeur properties during fiscal 2007 and pursuant to an escrow agreement 2,059,042 common shares were returned to treasury.
- 6) 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.
- 7) The Company issued 25,000 common shares at a deemed price of \$0.10 per common share pursuant to an option agreement dated May 21, 2008 to earn a 100% interest in five MTO claims comprising the Herd Dome property in the Omineca Mining Division, BC.
- 8) The Company issued 25,000 common shares at a deemed price of \$0.01 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.

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 to the Company's stock option plan. The following table provides details of stock options, including options to agents:

	August 31, 2009		August 31, 2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	2,280,000	\$ 0.10	1,600,000	\$ 0.50
Granted	200,000	0.10	2,280,000	0.10
Exercised	-	-	-	-
Cancelled	-	-	(1,600,000)	(0.50)
Expired	-	-	-	-
Outstanding, end of year	2,480,000	\$ 0.10	2,280,000	\$ 0.10

At August 31, 2009 the weighted-average remaining contractual life of options outstanding is 2.02 years (August 31, 2008 – 2.96). At August 31, 2009 2,420,000 (2008 – 2,280,000) options have vested.

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August 31, 2009 and August 31, 2008

9. Share Capital: (continued)

c) Agents Warrants

The Company granted 200,000 Agents Warrants as a finders' fee on its private placement of July 22, 2008. Each warrant 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, 2009 the weighted average contractual life of the agents options outstanding is 0.39 years (2008 – 1.39).

d) Warrants

The continuity of share purchase warrants outstanding is as follows:

	August 31, 2009		August 31, 2008	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	3,456,000	\$ 0.19	4,860,600	\$ 0.60
Issued	-	-	2,000,000	0.15
Expired	(1,456,000)	0.24	(3,404,600)	0.75
Outstanding, end of year	2,000,000	\$ 0.15	3,456,000	\$ 0.19

At August 31, 2009 the weighted-average remaining contractual life of warrants outstanding is 0.47 years (August 31, 2008 – 0.91).

e) Contributed Surplus

The fair value of stock options granted during the year ended August 31, 2009 is \$5,340 and the fair value of stock options vesting \$14,550. This has been determined using the Black-Scholes Option Pricing Model with the following assumptions: a risk free interest rate of 1.34%; an expected life of three years and expected volatility of 213.70%.

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%.

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, 2009	August 31, 2008
Consolidated loss for the year	\$ (586,873)	\$ (1,063,957)
Expected income tax recovery	(177,999)	(340,785)
Net adjustment for amortization, deductible and non-deductible amounts	136,161	282,568
Unrecognized benefit of non-capital losses	(10,162)	58,217
Total income taxes	\$ (52,000)	\$ -

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Notes to the Consolidated Financial Statements

August 31, 2009 and August 31, 2008

10. Income Taxes: (continued)

	August 31, 2009	August 31, 2008
Future income tax assets:		
Mineral properties	\$ 109,582	\$ 621,360
Non-capital losses carry forward	926,326	1,091,764
Equipment and other	129,015	141,263
	<u>1,164,923</u>	<u>1,854,387</u>
Valuation allowance	<u>(1,164,923)</u>	<u>(1,854,387)</u>
Net future tax assets	\$ -	\$ -

The Company has estimated non-capital losses available at August 31, 2009 to reduce future taxable income in Canada expiring as follows:

Year of Expiry	
2010	\$ 297,500
2014	3,700
2015	749,900
2026	806,500
2027	1,340,400
2008	226,900
2029	137,900
<u>Total</u>	<u>\$ 3,562,800</u>

Subject to certain restrictions, the Company also has mineral property and equipment expenditures and share issue costs of approximately \$1,238,000 at August 31, 2009 (2008 - \$468,000), 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, 2009, the Company issued 50,000 common shares valued at \$2,750 for the acquisition of mineral claims.

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

12. Financial Instrument Risks:

The Company's financial instruments are exposed to the following risks:

Credit Risk

The company's primary exposure to credit risk is the risk of illiquidity of cash and cash equivalents amounting to \$377,483 at August 31, 2009. As the Company's policy is to limit cash holdings and near cash investments to instruments issued by major banks, or investments of equivalent or better quality, the credit risk is considered by management to be negligible.

Amounts receivable at August 31, 2009, comprised a GST receivable of \$3,640 due from the Canadian government.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to pay financial instruments liabilities as they come due. The Company's only liquidity risk from financial instruments is its need to meet operating accounts payable and related party requirements. The Company does not maintain sufficient cash balances to meet these needs.

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Notes to the Consolidated Financial Statements

August 31, 2009 and August 31, 2008

12. Financial Instrument Risks: (continued)

Foreign Exchange Risk

The Company has no foreign exchange risk as virtually all of its activities carried out in Canada.

Interest Rate Risk.

The Company is exposed to interest rate risk on its cash and cash equivalents. The majority of these investments are in discounted instruments with predetermined fixed yields. Interest rate movements will affect fair value of these instruments so the Company manages maturity dates of these instruments to match cash flow needs, enabling realization at no loss in almost all cases.

13. Capital Management:

The Company's objectives for the management of capital are to safeguard its ability to continue as a going concern including the preservation of capital and to achieve reasonable returns on invested cash after satisfying the objective of preserving capital.

The Company considers its cash and cash equivalents to be its manageable capital. The Company's policy is to maintain sufficient cash balances to cover operating and exploration costs over a reasonable future period. The Company accesses capital markets through equity issues as necessary and may also require additional funds when advantageous circumstances arise.

Excess cash investments are restricted to guaranteed investment certificates of major Canadian banks or instruments of equivalent or better quality. No investments in asset-backed commercial paper are permitted.

The Company currently has no externally-imposed capital requirements except to maintain sufficient cash balances.

14. Subsequent Events:

The Company received \$254,475 from Canada Revenue Agency with respect to the Company's METC application.