

# **CADILLAC MINING CORPORATION**

(An Exploration Stage Company)

## **Consolidated Financial Statements**

**February 28, 2010**

**and**

**February 28, 2009**

## **Notice to Shareholders**

### **Responsibility for Financial Statements**

The accompanying consolidated financial statements for Cadillac Mining Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set in Note 3 in the accompany notes to these consolidated financial statements.

These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the consolidated financial statements, management is satisfied that these consolidated financial statements have been fairly presented.

### **Auditor involvement**

The independent auditor of Cadillac Mining Corporation has not performed a review of the unaudited consolidated financial statements for the six months ended February 28, 2010 and February 28, 2009.

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Consolidated Statements of Cash Flows

	February 28	February 28
	2010	2009
<b>A S S E T S</b>		
<b>Current</b>		
Cash and equivalents	\$ 573,598	\$ 356,886
Amounts receivable	3,743	4,935
Prepaid expenses	-	8,600
	<u>577,341</u>	<u>370,421</u>
<b>Equipment (Note 5)</b>	<b>1,175</b>	<b>1,563</b>
<b>Mineral Properties (Note 6)</b>	<b>71,759</b>	<b>761,238</b>
	<u>\$ 650,275</u>	<u>\$ 1,133,222</u>

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

### Current

Accounts payable and accrued liabilities	\$ 57,594	\$ 46,929
Due to related parties (Note 7)	428,881	291,051
	<u>\$ 486,475</u>	<u>\$ 337,980</u>

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

Share capital (Note 9)	\$ 3,877,448	\$ 3,927,448
Contributed surplus (Note 9)	155,224	140,674
Deficit	<u>(3,868,872)</u>	<u>(3,272,880)</u>
	<u>163,800</u>	<u>795,242</u>
	<u>\$ 650,275</u>	<u>\$ 1,133,222</u>

### Continued Operations (Note 2)

Approved by the Board of Directors:

*"V.F. Erickson"*

\_\_\_\_\_  
Director

*"D. W. Childs"*

\_\_\_\_\_  
Director

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Consolidated Statements of Cash Flows

	For the three month period ended February 28 2010	For the three month period ended February 28 2009	For the six month period ended February 28 2010	For the six month period ended February 29 2009
<b>Expenses</b>				
Advertising and promotion	\$ -	\$ 245	\$ 192	\$ 245
Amortization	16	138	112	276
Bank charges and interest	19	39	115	128
Consulting/management fees	15,000	25,000	30,000	40,000
General exploration	15,000	-	30,000	21,484
Investor relations	437	283	437	6,283
Legal, accounting and audit	13,244	2,475	15,744	8,975
Office and miscellaneous	3,542	1,100	5,939	2,576
Regulatory and filing fees	11,281	5,148	14,858	6,256
Travel and accommodation	1,731	2,876	1,731	5,514
<b>Net loss before other items</b>	<b>(60,270)</b>	<b>(37,304)</b>	<b>(99,128)</b>	<b>(91,737)</b>
Interest income	-	-	672	2,395
<b>Net loss for the period</b>	<b>(60,270)</b>	<b>(37,304)</b>	<b>(98,456)</b>	<b>(89,342)</b>
<b>Deficit - beginning of period</b>	<b>(3,808,597)</b>	<b>(3,235,576)</b>	<b>(3,770,411)</b>	<b>(3,183,538)</b>
<b>Deficit - end of period</b>	<b>\$ (3,868,867)</b>	<b>\$ (3,272,880)</b>	<b>\$ (3,868,867)</b>	<b>\$ (3,272,880)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.002)</b>	<b>\$ (0.002)</b>	<b>\$ (0.004)</b>	<b>\$ (0.003)</b>
<b>Weighted average number of common shares outstanding</b>	<b>25,087,568</b>	<b>24,149,582</b>	<b>25,087,568</b>	<b>24,149,582</b>

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Consolidated Statements of Cash Flows

	<b>For the three month period ended February 28 2010</b>	<b>For the three month period ended February 29 2009</b>	<b>For the six month period ended February 28 2010</b>	<b>For the six month period ended February 29 2009</b>
<b>Cash Provided by (Used for):</b>				
<b>Operating Activities</b>				
Net loss for the period	\$ (60,270)	\$ (37,304)	\$ (98,456)	\$ (89,342)
Adjustments for items not involving cash:				
Amortization	16	138	112	276
Issuance of shares	-	-	-	-
	<b>(60,254)</b>	<b>(37,166)</b>	<b>(98,344)</b>	<b>(89,066)</b>
Changes in non-cash working capital components:				
Amounts receivable	3,252	11,053	4,005	7,432
Prepaid expenses	-	1,500	-	10,900
Accounts payable and accrued liabilities	6,101	(5,413)	(6,764)	(121,990)
Due to related parties	10,352	26,750	47,829	43,682
	<b>(40,549)</b>	<b>(3,276)</b>	<b>(53,269)</b>	<b>(149,042)</b>
<b>Investing Activities</b>				
Mineral property expenditures	<b>(7,093)</b>	<b>(5,253)</b>	<b>247,382</b>	<b>(59,574)</b>
<b>Financing Activities</b>				
Share capital issued for property	<b>2,000</b>	<b>-</b>	<b>2,000</b>	<b>2,750</b>
<b>Net cash provided (used) during the period</b>	<b>(45,642)</b>	<b>(8,529)</b>	<b>196,108</b>	<b>(205,866)</b>
<b>Cash and equivalents - beginning of period</b>	<b>619,240</b>	<b>365,415</b>	<b>377,490</b>	<b>562,754</b>
<b>Cash and equivalents - end of period</b>	<b>\$ 573,598</b>	<b>\$ 356,886</b>	<b>\$ 573,598</b>	<b>\$ 356,888</b>

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

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Notes to the Consolidated Financial Statements

November 30, 2009 and November 30, 2009

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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 ("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 February 28, 2010 and February 28, 2009, 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

November 30, 2009 and November 30, 2009

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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) 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

(An Exploration Stage Company)

## Notes to the Consolidated Financial Statements

November 30, 2009 and November 30, 2009

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### 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.

# CADILLAC MINING CORPORATION

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## Notes to the Consolidated Financial Statements

November 30, 2009 and November 30, 2009

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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 February 28, 2010 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.

# CADILLAC MINING CORPORATION

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## Notes to the Consolidated Financial Statements

November 30, 2009 and November 30, 2009

### 5. Equipment:

	Cost	Accumulated Amortization	Net	
			February 28 2010	February 28 2009
Computer equipment	\$ 4,828	\$ 3,653	\$ 1,175	\$ 1,701

### 6. Mineral Properties:

	February 28, 2010			February 28, 2009		
	Beginning Balance \$	Expenditures \$	Ending Balance \$	Beginning Balance \$	Expenditures \$	Ending Balance \$
<b>Herd Dome</b>						
Acquisition	-	-	-	5,612	17,500	23,112
Assaying & analysis	-	-	-	-	23	23
Consulting	-	-	-	1,500	6,185	7,685
Filing fees	-	-	-	-	1,285	1,285
Transportation	-	-	-	-	1,727	1,727
Balance, end of period	-	-	-	7,112	26,720	33,832
<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	39,326	-	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 period	192,078	-	192,078	190,645	-	190,645
<b>Kekeko</b>						
Assaying & analysis	19,694	-	19,694	19,694	-	19,694
Board and lodging	11,013	-	11,013	11,013	-	11,013
Consulting	44,534	-	44,534	42,534	2,000	44,534
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 period	535,563	-	535,563	533,563	2,000	535,563

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Notes to the Consolidated Financial Statements

November 30, 2009 and November 30, 2009

### 6. Mineral Properties: (continued)

	February 28, 2010			February 28, 2009		
	Beginning Balance \$	Expenditures \$	Ending Balance \$	Beginning Balance \$	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	-	-	-	63,292	7,565	70,857
Drilling	-	-	-	199,549	-	199,549
Geological	-	-	-	-	16,998	16,998
Material and supplies	-	-	-	18,038	161	18,199
Transportation	-	-	-	8,927	-	8,927
Balance, end of period	-	-	-	338,927	24,724	363,651
<b>Silver Streak</b>						
Acquisition	8,000	7,000	15,000	7,750	250	8,000
Assaying & analysis	5,188	-	5,188	5,188	-	5,188
Board and lodging	843	-	843	843	-	843
Consulting	26,698	-	26,698	25,948	-	25,948
Drilling	81,807	-	81,807	81,807	-	81,807
Filing fees	727	93	820	727	-	727
Material and supplies	1,285	-	1,285	1,255	30	1,285
Transportation	1,086	-	1,086	1,086	-	1,086
Balance, end of period	125,634	7,093	132,727	124,604	280	124,884
<b>Staked Claims - Quebec</b>						
Acquisition	23,435	-	23,435	23,435	-	23,435
Assaying & analysis	4,383	-	4,383	2,712	1,671	4,383
Board and lodging	1,569	-	1,569	1,569	-	1,569
Consulting	42,525	-	42,525	42,525	-	42,525
Drilling	22,034	-	22,034	22,034	-	22,034
Filing fees	54,975	-	54,975	54,975	-	54,975
Geochemical	345,566	-	345,566	345,566	-	345,566
Geological	6,858	-	6,858	5,858	1,000	6,858
Material and supplies	8,860	-	8,860	5,682	3,179	8,861
Transportation	12,452	-	12,452	12,452	-	12,452
Balance, end of period	522,657	-	522,657	516,808	5,850	522,658
<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	461	-	461	461	-	461
Balance, end of period	41,785	-	41,785	41,785	-	41,785

# CADILLAC MINING CORPORATION

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## Notes to the Consolidated Financial Statements

November 30, 2009 and November 30, 2009

### 6. Mineral Properties: (continued)

	February 28, 2010			February 28, 2009		
	Beginning Balance	Expenditures	Ending Balance	Beginning Balance	Expenditures	Ending Balance
	\$	\$	\$	\$	\$	\$
Total	1,417,717	7,093	1,424,810	1,753,444	59,574	1,813,018
Less:						
Mining Duty refund	187,812	-	187,812	141,470	-	141,470
British Columbia METC	-	254,475	254,475	-	-	-
Quebec METC	910,764	-	910,764	910,310	-	910,310
	1,098,576	254,475	1,353,051	1,051,780	-	1,051,780
<b>Balance, end of period</b>	<b>319,141</b>	<b>(247,382)</b>	<b>71,759</b>	<b>701,664</b>	<b>59,574</b>	<b>761,238</b>

### Details of Mineral Properties

#### a) Herd Dome

The Company previously held an option dated May 21, 2008 to acquire a 100% interest in the Herd Dome property in the Omineca Mining Division, BC by expending \$350,000 on exploration, making payments totaling \$135,000 and 300,000 shares, and reserving for the vendor a production royalty comprising of a 3% % of net smelter return. Payments of \$5,000 and 25,000 shares at a deemed value of \$0.10 per share were made pursuant to the option agreement. The Company relinquished the option and wrote off the associated costs at August 31, 2009.

#### b) Osilinka-Cat Mountain

Pursuant to a Memorandum of Understanding dated September 26, 2007 with Lysander Minerals Corporation the Company held an option to earn a 50% interest in 23 mineral 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 issued 50,000 common shares at a deemed value of \$ 0.125 per common share to the vendor. The option was relinquished and the associated costs were written off at August 31, 2009.

#### c) Silver Streak

By an option agreement with three arms-length vendors dated November 6, 2007 and as amended November 28, 2008, and December 14, 2009, the Company has the option to earn a 100% interest in nine mineral claims in the Omineca Mining Division, BC, subject to a 1% NSR royalty, which may be purchased for \$1,000,000. Consideration is exploration expenditures of \$ 50,000 within one year (completed) and payment of \$55,000 cash and 400,000 common shares in stages to November 6, 2012. As of February 28, 2010, the Company has paid to the vendors \$10,000 in cash and 100,000 shares in aggregate.

#### d) Staked Claims – Quebec: Kanasuta, Kekeko, & Wasa Properties in Beauchastel & Dasserat Townships

The Company has a 100% interest in 250 mineral claims comprising 8800 hectares, subject to a 1.5% NSR to the President and a director on production exceeding 100,000 oz. gold.

### 7. Due to Related Parties:

As at February 28, 2010 - \$428,881 (February 28, 2009 - \$291,051) 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.

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## Notes to the Consolidated Financial Statements

November 30, 2009 and November 30, 2009

### 7. Due to Related Parties: (continued)

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

	February 30, 2010 3 months	February 30, 2009 3 months
Exploration consulting /management fees charged by a company controlled by the President	\$ 15,000	\$ 15,000
Exploration consulting /management fees charged by company controlled by a director	\$ 15,000	\$ 15,000
Consulting and accounting fees charged by a company controlled by an officer	\$ 5,000	\$ 6,500

### 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 <sup>(1)</sup>	100,000	10,500
Acquisition of mineral claims <sup>(2)</sup>	50,000	6,250
Acquisition of mineral claims <sup>(3)</sup>	25,000	2,000
Acquisition of mineral claims <sup>(4)</sup>	400,000	34,000
Shares relinquished pursuant to escrow agreement <sup>(5)</sup>	(2,059,042)	-
Private placement net of issue costs of \$ 17,165 <sup>(6)</sup>	2,000,000	182,835
Balance, August 31, 2008	24,994,828	3,924,698
Acquisition of mineral claims <sup>(7)</sup>	25,000	2,500
Acquisition of mineral claims <sup>(8)</sup>	25,000	250
Future income tax recovery (note 3)	-	(52,000)
Balance, August 31, 2009	25,044,828	\$ 3,875,448
Acquisition of mineral claims <sup>(9)</sup>	50,000	2,000
Balance, February 28, 2010	25,094,828	\$ 3,877,448

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 mineral 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 mineral claims comprising the Silver Steak property in the Omineca Mining Division, BC.

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Notes to the Consolidated Financial Statements

November 30, 2009 and November 30, 2009

### 9. Share Capital: (continued)

#### a) Share Capital (continued)

- 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 mineral 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 mineral claims comprising the Silver Steak property in the Omineca Mining Division, BC.
- 9) The Company issued 50,000 common shares at a deemed price of \$0.04 per common share pursuant to an option agreement dated November 6, 2007 and amended November 28, 2008 to earn a 100% interest in nine mineral 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:

	February 28, 2010		February 28, 2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	2,480,000	\$ 0.10	2,280,000	\$ 0.10
Granted	-	-	-	-
Exercised	-	-	-	-
Cancelled	-	-	-	-
Expired	-	-	-	-
Outstanding, end of period	2,480,000	\$ 0.10	2,280,000	\$ 0.10

At February 28, 2010 the weighted-average remaining contractual life of options outstanding is 1.52 years (February 28, 2009 – 2.56). At February 28, 2010 2,280,000 (2009 – 2,280,000) options have vested.

#### c) Agents Warrants

The Company granted 200,000 Agents Warrants as a finders' fee on its private placement of July 22, 2008. Each warrant was 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 February 28, 2010 the weighted average contractual life of the agent's warrants outstanding is nil (2009 – 1.14 years).

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(An Exploration Stage Company)

## Notes to the Consolidated Financial Statements

November 30, 2009 and November 30, 2009

### 9. Share Capital: (continued)

#### d) Warrants

The continuity of share purchase warrants outstanding is as follows:

	February 28, 2010		February 28, 2009	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	2,000,000	\$ 0.19	3,456,000	\$ 0.19
Issued	-	-	-	-
Expired	2,000,000	-	1,456,000	0.24
Outstanding, end of period	-	\$ -	2,000,000	\$ 0.15

At February 28, 2010 the weighted-average remaining contractual life of warrants outstanding is nil (February 28, 2009 – 0.41 years).

#### 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:

	February 28, 2010		February 28, 2009	
	\$	(95,695)	\$	(83,342)
Consolidated loss for the period				
Expected income tax recovery		(29,665)		(26,786)
Net adjustment for amortization, deductible and non-deductible amounts		1,282		276
Unrecognized benefit of non-capital losses		28,383		26,510
Total income taxes	\$	-	\$	-

  

	February 28, 2010		February 28, 2009	
	\$	109,582	\$	621,360
Future income tax assets:				
Mineral properties		926,326		1,091,764
Non-capital losses carry forward		129,015		141,263
Equipment and other		1,164,923		1,854,387
Valuation allowance		(1,164,923)		(1,854,387)
Net future tax assets	\$	-	\$	-

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Notes to the Consolidated Financial Statements

November 30, 2009 and November 30, 2009

### 10. Income Taxes: (continued)

The Company has estimated non-capital losses available at February 28, 2010 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
2028		226,900
2029		137,900
2030		95,695
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Total	\$	3,658,495

Subject to certain restrictions, the Company also has mineral property and equipment expenditures and share issue costs of approximately \$1,238,000 at February 28, 2010 (2009 - \$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 three month period ended February 28, 2009, the Company issued 50,000 common shares valued at \$2,000 pursuant to option agreements 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 \$573,598 at February 28, 2010 (2009 - \$356,886). 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 February 28, 2010, comprised a GST receivable of \$3,743 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.

#### 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.

# CADILLAC MINING CORPORATION

(An Exploration Stage Company)

## Notes to the Consolidated Financial Statements

November 30, 2009 and November 30, 2009

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### 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.