

**Cadillac Mining Corporation**  
*(formerly "Eclips Inc.")*

**FOR THE YEAR ENDING MAY 31, 2006**

**FORM 51-102 F1**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**DATE**

Cadillac Mining Corporation ("the Company") provides this MD&A as of September 28, 2006 and is in respect of the year ended May 31, 2006.

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles, and these statements are filed with the relevant regulatory authorities in Canada. All currency amounts are expressed in Canadian dollars unless otherwise noted.

**FORWARD-LOOKING INFORMATION AND REPORT DATE**

This MD&A contains certain forward-looking information. All information, other than historical facts included herein, including without limitation data regarding potential mineralization, exploration results and future plans and objectives of the Company, is forward-looking information that involves various risks and uncertainties. There can be no assurance that such information will prove to be accurate and future events and actual results could differ materially from those anticipated in the forward-looking information.

The forward-looking information is only provided as of the date of this MD&A, September 28, 2006 (the "Report Date").

**OVERVIEW OF BUSINESS**

Cadillac Mining Corporation ("CMC") is a junior mining exploration company actively engaged in the acquisition, exploration and development of mineral resource properties, to date solely in the Province of Quebec. The Company's core management and technical team are mining professionals, with extensive international experience in all aspects of mineral exploration, operations and venture capital markets.

The Company is a reporting issuer in Ontario, Alberta, and British Columbia, and trades on the TSX Venture Exchange under the symbol CQX

Cadillac West Explorations Inc., (CWE) a wholly-owned subsidiary of CMC, was incorporated in British Columbia in June 2004 to pursue a mineral exploration opportunity that two of its founding shareholders had acquired earlier near the City of Rouyn-Noranda in western Quebec, one of Canada's oldest and most prolific mining regions.

CWE expended approximately \$600,000 in 2004-05 on infrastructural surveys and on diamond drilling to demonstrate the validity of its exploration models for precious and base metals.

The agreement by which Eclips Inc. would purchase CWE was announced on December 12, 2005 and on January 31, 2006 the Share Exchange Agreement was signed.

**OVERALL PERFORMANCE**

As of July 7, 2006, Cadillac Mining Corporation, formerly Eclips Inc., completed a Reverse Take Over transaction by which it acquired 100% of Cadillac West Explorations Inc., and completed a private placement financing through Blackmont Capital Inc. as agent, through which Cadillac raised a gross amount of \$3.22 million. The common shares of Cadillac commenced trading on the TSX Venture Exchange on July 10, 2006 under the symbol "CQX".

Blackmont placed 482 A Units, each comprising 7,500 flow-through common shares at \$0.50, 2,500 regular common shares at \$0.50, and 2,500 two-year share purchase warrants exercisable at \$0.55 in the

first year and \$0.75 in the second year. Blackmont also sold 162 B Units comprised of 10,000 regular shares at \$0.50 and 10,000 two-year share purchase warrants on the same terms as per the A Units. All shares and warrants so issued are subject to a 4-month hold period ending ...

Blackmont was paid a cash commission of \$289,800 comprising 9% of gross proceeds together with a \$25,000 work fee, and received two-year brokers' warrants exercisable at \$0.55 and \$0.75 in the first and second years respectively to purchase up to 579,600 shares, being 9% of the total number of shares sold pursuant to the private placement.

The acquisition of CWE and the reorganization of Eclips included the consolidation of Eclips' outstanding capital on a 1 for 8 effective basis, the issuance of 13,975,762 post-consolidation shares for the shares of CWE, and the issuance of an additional 608,015 post-consolidation shares in settlement of debt and fees. Including the Blackmont financing, there are currently 23,053,132 post-consolidation shares outstanding in Cadillac Mining Corporation.

## SELECTED ANNUAL INFORMATION

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and are expressed in Canadian dollars.

<b>As at</b>	<b>May 31 2006</b>	<b>December 31 2005</b>	<b>December 31 2004</b>
Current assets	\$ 2,516,831	\$27,097	\$ 5,545
Exploration advances	161,932	200,000	-
Equipment	2,267	1,606	-
Mineral Properties	728,838	547,723	407,349
<b>Total assets</b>	<b>3,409,868</b>	<b>775,942</b>	<b>412,894</b>
Current liabilities	516,287	14,500	23,171
Other liabilities	100,000	120,000	381,739
Shareholders' equity	2,793,581	641,442	7,984
<b>Total shareholders' equity &amp; liabilities</b>	<b>2,793,581</b>	<b>641,442</b>	<b>412,894</b>
Working capital (Deficiency)	2,000,544	12,597	(17,626)
<b>As at:</b>	<b>May 31 2006</b>	<b>December 31 2005</b>	<b>December 31 2004</b>
Amortization	563	229	-
General and administration	64,811	-	7,918
Professional fees	45,933	261,290	5,988
Regulatory and filing fees	1,688	64,420	-
Rent	-	-	-
<b>Total Expenses</b>	<b>149,571</b>	<b>325,939</b>	<b>13,906</b>
Gain on forgiveness of	-	-	-

debt	-	68,756	-
Interest income	2,583	641	59
Loss per Year	(323,111)	(256,542)	(13,847)
Charge to deficit upon acquisition of subsidiary	598,039	-	-
<b>As at:</b>	<b>May 31 2006</b>	<b>December 31 2005</b>	<b>December 31 2004</b>
Basic and diluted loss per share	\$(.02)	\$(0.02)	\$(6,924)
Weighted average number of common shares outstanding	14,035,877	13,975,7621	2

## RESULTS OF OPERATIONS

### Project Overview

A brief review of historic mine production for western Quebec demonstrates the significance of the numerous long-lived gold and polymetallic mines in the region. Rouyn-Noranda itself is internationally recognized as home to several world-class VMS base metal deposits, which have also yielded an aggregate of about 14 million oz of gold. In addition, the camp has produced a further 4 million oz. from about 20 "gold-only" deposits.

The 200km-long Cadillac-Larder Lake Deformation Zone, which extends from Kirkland Lake Ontario to well east of Val d'Or in Quebec, has hosted major gold producers since the 1920's.

Recent years have seen the discovery of large new deposits along this structure in and it is currently the active focus of deep exploration drilling. The Kirkland Lake area mines (including Kerr Addison) produced an aggregate of 37 million oz from the Larder Lake segment of the fault zone while in Quebec, deposits along the structure, locally referred to as the Cadillac Break, have produced about 36 million oz gold.

A section of the Cadillac Break west of Noranda has never been explored because a localized cover of Proterozoic (Cobalt) sediments presented a physical and psychological barrier. This section is known to contain prospective syenite intrusions and geological features similar to those found in the Malartic and Kirkland Lake camps. More than 24 km of this unexplored section of the Break (in Beauchastel and Dasserat Townships) is held by CMC, and is the principal focus of the Cadillac West Project.

Potential for gold mineralization extends for several kilometers to the north of the 'Break' as evidenced by the Francoeur, Arntfield and Wasamac deposits. These shear-hosted zones of mineralization occupy second and third order structures related to the 'Break' but are far enough away to be classed as distinct systems.

The region is also geologically prospective for base metal VMS type mineralization as is demonstrated by the Aldermac copper-rich massive sulphide deposit located nearby.

### Property Holdings

The Company holds a regional-scale claim position. The majority of the Company's claims were staked in 2002 at the end of the bear cycle in the gold market. In order to optimize exploration opportunity and diversify risk, management optioned a large claim position from Richmond Mines Inc.

The CMC groups of properties cover approximately 14,904 hectares in Beauchastel, Dasserat, Montbray and Rouyn Townships, and lie immediately west of the mining center of Rouyn-Noranda, Quebec. The Company owns outright 379 claims covering 12,719 hectares; and holds options granted by Richmond Mines Inc in April 2004 for a 50% interest in a further 2185 hectares and 77 claims. Adequate assessment work has been conducted during 2006 to retain all but 16 of the staked claims requiring renewal this year. Completion of the necessary filings is currently in progress.

The first-year expenditure commitment of \$500,000 for The Richmond Option has been satisfied. As of the first effective anniversary of the agreement, November 22, 2005, the Option was partitioned into two separate entities, namely Norcoeur and Lac Fortune, for which a further \$2.2 million and \$1.5 million respectively must be expended over three years to satisfy the earning requirements. Either or both options may be terminated without penalty at any time by CMC should results or circumstances warrant.

The Norcoeur Option is comprised primarily of the Arntfield and Arncoeur properties which represent respectively, the eastern and western extensions of the Francoeur Shear.

### **General Geology & Exploration Potential**

The project is located within the Noranda volcanic complex, which is bounded to the north by the Porcupine-Destor Fault and on the south by the Cadillac-Larder Lake Fault.

Gold mineralizing events spanned several million years, beginning during the late stages of felsic volcanism and continued through a period of crustal adjustment that created fracture systems to accommodate fluid migration. Gold deposits are found mainly in second- and third-order structures in the volcanics, and within a few kilometers north of the Break. Typical medium-sized gold deposits include the Sigma, Lamaque, Camflo and Kiena Mines, which, individually produced between one to four million ounces. Large complex deposits found directly in or very near the Break include the Malartic camp, Kerr Addison, Kirkland Lake and Doyon–Bousquet– LaRonde Mines, each producing in excess of 7 million oz. With few exceptions, gold deposits are intimately associated with felsic intrusives that mark the centers of late-stage volcanic events.

The only section of the Cadillac Break that has not been extensively explored lies west of Noranda where a 35-km section is covered by a crust of early Proterozoic (Cobalt) sediments preserved by down-faulting. It extends eastward from the 10+ million-ounce Kerr Addison Mine at Virginiatown, Ontario, to the western boundaries of the Noranda camp. The covering sediments occupy a depression of undetermined depth and form a ridge of prominent hills rising 150 to 200 meters above the Archean plateau. The total depth of cover is clearly variable since a three-kilometer long Archean outcropping that includes the Guinard syenite stock occupies an “island” in the sediments directly on the Break. Also, while Cobalt cover is known to extend to depths of several hundred meters near the Ontario border and the nearby Milky Creek Fault, drilling north of the Guinard target encountered only a minimal thickness of the cover. This implies that the mineralized ‘basement’ Archean rocks can be effectively explored with modern diamond drilling equipment.

Rocks in the Francoeur Mine region are influenced by both the Guinard syenite to the south and the Aldermac Intrusive to the north. The area is host to synvolcanic rhyolite-hosted VMS base metal deposits and to shear-hosted gold mineralization. The Aldermac Mine produced 34,000 tons of copper from 2.1 million tons of ore, while the combined past production, reserves and resources for gold deposits situated along the 10 km corridor related to the Francoeur and Wasamac structures amounts to 1.5 million ounces. These gold mines occupy second-order structures that are nearly certain to tap the Cadillac Break at depth. The timing of mineralization and its relationship to nearby last stage syenitic plutons has not been studied. However, it is hypothesized that there is a direct relationship between the deep-seated Cadillac Break and second-order mineralized structures in the region.

The southern half of the Arntfield property, in addition to limited historical gold production, has seen semi-methodical drilling for north-dipping shear-hosted mineralization. However, the potential for economically attractive steeply south-dipping vein mineralization remains largely unexplored, as is the northern half of these claims.

Modern exploration on the Lac Fortune property resulted in the modest resources identified in the 1980’s. These occupy in a series of near-surface moderately dipping mineralized shears. However, investigations have stopped short of the search for deeper feeder systems.

### **Exploration Programs**

During the summer of 2004 CWE conducted a \$360,000 exploration program on its 100%-owned claims to provide the basis for further exploration, with particular attention given to defining drill targets on the Cadillac Break.

### **High Resolution Magnetic Survey**

The helicopter-borne magnetic survey conducted in 2004 covered all of the property including the Richmond Option. This yielded information on the unexplored basement geology obscured by the

Proterozoic Cobalt sediments along that Break. Preliminary interpretation identified a number of probable syenitic intrusive centres within the broad trace of the Cadillac Break, as well as several groups of cross-cutting fault systems.

### **Lithochemical Survey**

The lithochemical program, completed on all outcroppings within CMC ground covered by the relic Proterozoic Cobalt sediments generated 2509 samples. These were analysed at Acme Laboratories in Vancouver for gold, silver and pathfinder elements. The program identified several weak but coincident multi-element anomalies that coincide in part with magnetic patterns.

### **Electromagnetic Survey**

A deep-penetrating time-domain helicopter-borne electromagnetic (THEM) survey was completed by McPhar over the Dasserat North, Gan and the northernmost Kekeko claims where geological conditions are favourable for VMS deposits. Results show a number of weak to moderately strong conductors that will be fully assessed and interpreted following a complete compilation of historical data for the areas.

### **Core Drilling**

Selected drilling targets cover the full spectrum of geological potential. Those located directly on or immediately adjacent to the Cadillac Break are obscured by overlying Cobalt sediments and consequently necessitate unusually long drill holes. Primary attention has been on the Kanasuta and Kekeko regions where magnetic and coincident geochemical anomalies imply a potential for syenite-hosted gold mineralization. The southwestern section of the Richmond Option located along the Break is similarly prospective.

Shear-hosted systems previously worked at the Francoeur and Arntfield Mines are also a priority because their economic potential has been established. In the early 1990's, Richmond Mines Inc., exploring from underground, discovered a south-dipping gold system that proved important to the economics of its operations at the Francoeur Mine. CMC believes that similar systems may exist on strike from the mine area and on parallel structures in the region generally.

Other less-developed targets on the Company's claims include a strong but poorly explored shear zone on the Gan claims and under-explored base metal potential on the North Dasserat ground.

### **A. 2005 Program**

All seven holes comprising 2496 meters drilled in the winter 2005 program were on the Richmond claims.

DDH RO-01 was drilled near the southern limit of the Richmond claims on the south shore of Lac Renault to test a section of the Cadillac Break where it forms a broad shear-zone that incorporates the Guinard syenite intrusive. It was collared in Proterozoic sediments in line with the geometric center of outcropping syenite to the south. From the collar location, it was estimated that a 700-meter long hole would cut about half the stock if it proved to dip vertically, and that it would effectively cut the entire body if it followed regional stratigraphic trends seen in Archean strata to the north.

In spite of encountering a broad zone of alteration, the low gold values are disappointing. However, the size and strength of the alteration zone is impressive. This system has not been tested previously and remains open westward along a linear magnetic anomaly and eastward where anomalous gold values are seen in the geochemical survey conducted late last year. Consequently, additional deep tests are warranted.

DDH RO-02 was drilled northward from the north edge of Lac Renault to test strata underlying the Lac Fortune vein system for controlling sub-vertical structures. Strongly anomalous gold values were obtained from semi-continuous sampling over more than 300m in a north-dipping mylonitic shear intersected at a shallow angle below the defined resources. This structure is moderately to well-mineralized with both concordant and discordant narrow carbonate dominant stringers that are relatively rich in pyrite. A section intersected between 124.65m and 131.30m averages 7.0g/t Au over 6.65m, including a high-grade zone of 17.5g/t over 2.35m.

A short hole, DDH RO-03 was collared a few meters north of RO-02 and drilled southward under Lac Renault in order to complete the section. The area is underlain by uniform but moderately carbonate-altered basaltic volcanic strata in which a significant assay of 6.4 g/t was obtained from a narrow steeply dipping shear at 105 meters.

RO-04 intersected significant mineralization corresponding with the upper "Noranda" zone on the Arntfield property. However, mineralization intersected below this zone does not correspond with any previously known structure, and lies well to the north of the earlier Noranda drilling. This zone displays evidence of a sub-vertical component which suggests the possibility that two orthogonal structures intersect at this point. The zone includes a section of strongly anomalous mineralization over more than 35 meters with a high-grade core zone grading 18.51g/t over 3.30 meters.

RO-05 followed the mineralized zone (mylonitic shear) down-dip for about 100 meters from 115 meters down-hole. Intensity of mineralization in this zone is weak, and assays were correspondingly low. This part of the structure represents the down-dip extension of the old Arntfield workings but nothing was observed in core to explain the transition to sub-economic mineralization.

DDH RO-06 and -07 were drilled southward to test shallow mineralization intersected in a 1936 drill hole located a short distance east of mined-out workings in the Arntfield #3 shaft area. This zone lies some 1000 meters east of Holes 04 and 05 but occupies the same stratigraphically- controlled north-dipping shear system.

Mineralization encountered in RO-06 displays strong hematite alteration similar to that which produced high gold values in RO-04 on two parallel zones. However, neither of these returned significant gold assays with the exception of a poorly recovered sheared quartz vein encountered near the top of the hole. This structure returned 2.36 g/t over a core length of 2.5 meters.

Hole RO-07 shows mineralization over much of its length but analytical results indicate that gold mineralization is weak. A well defined shear zone at about 60m down-hole gave an average grade of 1.69g/t over 5.5m.

## **B. 2006 Program**

The current phase of drilling on the Cadillac West Project commenced May 15, 2006, initially with two drills supplied by Forage Mercier Inc. A third drill was subsequently added to ensure that assessment work requirements would be met by the deadline of August 9<sup>th</sup>. All samples were processed at Laboratoire Expert Inc. in Rouyn-Noranda. To date about 12,750m of drilling has been completed in 20 drill holes, as briefly summarized below.

DDH CM06-01 was drilled to examine controls to mineralization in the upper section of the Lac Fortune gold deposit and to explore potential to a depth of about 400 meters.

Nothing exceptional was seen in the upper section and gold assays were below expectations. However, back-ground gold values were generally elevated and the hole was extended to depth to test the Cadillac Break deep in the section. The rods jammed in a fault zone at 1652m forcing abandonment of the hole. The most significant information was obtained at depth. At 1555m, the hole cut 6m of rhyolite followed by graphitic sediments to 1610m which contain elevated disseminated to semi-massive pyrite and nearly of foot of massive pyrite anomalous in gold, copper and nickel. In addition, the final sample recovered from the final meter drilled yielded 3.15g/t gold over 0.80m.

The rhyolite-graphite association in combination with localized massive sulphides suggests a possible volcanogenic massive sulphide (VMS) environment that was not anticipated from this target. In addition, the geometric relationship between the end of the hole and the known surface trace of the Cadillac Break indicates that this hole ended at the northern margins of the Break. Down-hole geophysics will be conducted on this hole, and the possibility drilling past the problem area is being investigated.

DDH's CM06-03 to 06 were drilled as a fence to complete a detailed section (CM06-03 to CM06-05;) along the eastern margin of the Francoeur Mine concession and, to the north of DDH RO-4 completed in 2005. This was an attempt to explain the complex geometry controlling diffuse gold mineralization punctuated with spotty high-grade intersections. All holes, including a fourth drilled 150m off section (CM 06-06), intersected broad and visually impressive zones of pyrite mineralization in hematitic and bleached rhyolites. These zones are confined to thick rhyolite members interlayered with basalts, and carry elevated sub-economic gold values. However, geological controls remain an enigma. Additional drilling is contemplated following a complete compilation of past work and assessment using 3D imaging software.

DDH CM06-08 was drilled to test the eastern extension of coincident geochemical and geophysical anomalies in the West Kekeko area about a kilometer east of the Guinard Stock. As the area is overlain by the dominant east-west ridge of Cobalt sediments, the hole was collared on low ground to

the north with an anticipated length of 2000m. DDH CM06-08 intersected Archean basement at a down-hole depth of 380m (329m vertically). Syenite dykes, measuring up to 20 meters wide are seen throughout and are consist of grey feldspar porphyries similar to those found in mines near Malartic and Val d'Or and which are often a significant source of gold ores. These locally contain zones with significant silicification and pyrite but none carry gold.

However, a completely unexpected talc schist encountered at the bottom of the hole indicates a major change in rock type from what has been seen along the 'Break' in this region. Talc schists are often associated with gold mineralization in the Abitibi. The hole was abandoned at a depth of 1196m because of strongly faulted ground conditions. The intensity of fracturing and soft altered ground suggests that a major structure lies immediately beyond the end of the hole.

The targeted area was not reached and an alternate drill hole (CM06-20) was collared from the south.

DDH CM06-09 was drilled south at 60 degrees dip to test a geochemical target located on the south margins of a strong east-west fault marked by well defined topographic features. The hole was collared in Cobalt sediments and intersected Archean metasediments at 106m. The lower sub-unit contains two broad graphitic zones carrying strong pyrrhotite/pyrite zones resembling bedded strata and short sections presenting as semi-massive sulphides with up to 1/2% chalcopyrite. Selected samples returned 0.1 to 0.15% copper with 0.5% zinc and anomalous nickel values. Ground electro-magnetic techniques are being considered to test the graphitic units on strike and to develop drilling targets on this system.

DDH CM06-02 was collared from the same location as CM06-08 but was drilled north at a 70 degree dip to investigate a strong zone of faulting implied by topography and surface geological mapping. The hole was abandoned because of poor ground conditions in faulted rock at 474m. Nothing of consequence was intersected.

DDH CM06-10 was collared near the northern limit of CMC ground to test the edge of the magnetic anomaly and the probable southern contact of a syenite intrusive. Expectations were that Cobalt sediments would not exceed 250m in depth and that north dipping foliations would cause the hole to flatten, thereby crossing structure and stratigraphy at a favourable angle. In reality, the depth of cobalt sediments exceeds 700m at his location and basement foliations were found to dip nearly vertically. The hole cut a broad zone of intensely sheared and convoluted sericite schists mixed with sericite/graphite schists carrying 3% pyrite overall.

This was followed a strongly deformed graphite schist carrying semi-massive relic pyrite beds mixed with the shredded remains of thin-bedded cherts. Internal textures indicate that all quartz veins in the sequence, along with associated mineralization, were over-printed by a late shearing event. Consequently, mineralization is probably related to primary deposition with some later remobilization. The lower zone resembles the outer margins of a VMS environment and further exploration for this type of deposit will be considered using appropriate geophysical methods later in the program. Gold values were uniformly low throughout however. The hole was abandoned at 1285m in bad ground.

DDH CM06-11 was drilled near the east end of the Kekeko Hills to test a geochemical anomaly and a coincident magnetic anomaly where no geological information on the Break had been obtained by past workers. The hole, collared due south at an 80 degree dip, encountered 170m of Cobalt sediments and was stopped at a final depth of 1281m. The hole cut a monotonous sequence of Temiskaming sediments over most of its length and no mineralization of consequence was noted.

DDH CM06-12 was drilled to a depth of 286m on the Wasa claim group to test an unexplored area located 3km east and on strike with Aldermac Mine. It intersected variably mineralized favourable host rock with a moderately strong zone of stringer mineralization carrying small amounts of chalcopyrite near the bottom. A complete compilation of available data will be conducted before doing additional work on this zone.

DDH CM06-13 was drilled to a depth of 167m to test pyritic rhyolites exposed by recent road-cuts on the Dasserat North claim group. This hole intersected rhyolitic rocks (tuffs and agglomerates), all well mineralized with disseminated and fracture-controlled pyrite. No gold or base metal values were detected.

DDH CM06-14 was drilled to a depth of 210m to test an airborne EM conductor which appears to be caused by narrow porphyry dykes devoid of mineralization. Drilling intersected significant alteration marked by bleaching and moderately strong hematite accompanied by elevated disseminated and

fracture controlled pyrite throughout. Gold values all very low except for two short samples returning about 100ppb.

DDH CM06-15 was drilled to a depth of 326m to test an airborne EM conductor. This hole failed to identify any obvious geological features and it is suspected that the moderately strong anomaly was caused by conductive sediments. Host rocks consist of felsic to intermediate tuffs and related pyroclastics displaying significant localized alteration comprising bleaching associated with narrow quartz stringers and minor pyrite. Gold values are uniformly low.

DDH CM06-16 was drilled to a depth of 404m to test the western extension of the Gan fault where it intersects an isolated gabbro intrusive that underlies much of this small claim group (as marked by a strong magnetic anomaly). Historical drilling indicates 10m of sub-economic gold mineralization in a nearby hole. Assays show significantly elevated gold values over the entire trace of the hole with local short sections returning up to 3.5g/t. Hematite alteration is pervasive and associated with widespread elevated pyrite content. The intensity and size of the mineralized zone is more impressive than analytical results would suggest. In light of what has been observed in current work, Ministry records will be examined and compiled.

DDH CM06-17 was drilled to a depth of 1121m where it was abandoned due to soft talc alteration in ultramafic rock. This was a test of the Guinard intrusive as inferred by magnetics extending westward from the known porphyritic intrusive. The hole was collared immediately south of the trans-provincial highway with an anticipated length of about 1200m. Basement Archean strata was intersected at a down-hole depth of 406m; which is substantially deeper than had been predicted. A coarse-grained porphyry was intersected from 503m to 872m, displaying a distinct pink hematite alteration throughout, but carrying only minor amounts of sulphide mineralization. Alternating bands of coarse sediments intruded by narrow porphyry dykes follow to 1000m, occasionally carrying elevated pyrite but none of it is auriferous. The bottom of the hole intersected a strong zone of fault gouge that could not be penetrated. A well defined but weakly mineralized sheared quartz vein was intersected at 1100m. This carries elevated but sub-economic gold values. It will be investigated in future drilling.

DDH CM06-18 was drilled to a depth of 332m to test ground 150m east of CM06-16 and remains within the influence of a gabbro unit described above. Country rock is composed of mainly altered felsic volcanic rocks (probably a complex sequence of tuffs and related fragmental units) with strong to moderate hematite alteration, containing scattered quartz stringers associated fine pyrite in selvages throughout. Sampling was semi-continuous and returned strongly anomalous gold to 200m.

DDH CM06-19 was drilled south from the CM06-18 to a depth of 329m to test the same general target extending to the southern limit of the gabbro-magnetic zone. It intersected mainly hematite-altered gabbro in the upper 70% of the hole, all moderately mineralized with scattered quartz stringers and associated fine pyrite. This section is strongly anomalous in gold ranging to 3g/t with background values in 200 to 500 ppb range. The lower section is marked by felsic volcanic sequences showing moderate to strong alteration, but carrying no gold values.

DDH CM06-20 was drilled northerly on section with CM06-08 to 929m to test a possible deep eastern extension of the Guinard syenite intrusive as indicated by magnetics, and a coincident multi-element geochemical anomaly. A zone intersected from 236m to 240m, consisting of quartz stringers with pyrite and alteration in a sheared felsic dyke, returned a 1.2m section carrying 2.1g/t gold. The hole cut about 420m of barren and nearly massive ultramafic rocks beyond the mineralized zone, then entered a weakly mineralized and uniform fine-grained silty sandstone. Neither of these rock units had been anticipated. No analytical results are available at this time.

## **Directors and Management Team**

The Company's core management and technical team comprise proven professionals, with extensive international experience in all aspects of mineral exploration, operations and venture capital markets.

### **Victor Erickson, P. Eng., MBA - President & CEO & Director**

Victor F. Erickson, P.Eng. earned a B.A.Sc. in Mineral Processing from the University of B.C. in 1967, and is a Registered Professional Engineer in British Columbia. Subsequent to working for several major mining firms, he earned a Masters in Business Administration in 1973 from the Schulich School

of Business at York University, Toronto. Commencing in 1975 he has worked as a consulting engineer, primarily in the evaluation of precious and base metal, industrial mineral and coal projects, and more recently has provided advice in respect of ore processing matters, and other technical issues to junior companies. Between 1983 and 1996 Erickson participated extensively in the formation and management of several publicly-traded junior exploration firms. He has also from time to time been involved as a principal in the generation of a diversity of private mineral exploration and development projects. Mr. Erickson is 61 years of age and lives in Vancouver, British Columbia.

**Andre J. Audet, P. Eng. – Vice-President , Exploration & Director**

Andre J. Audet, P.Eng. graduated from the University of B.C. in 1972 with a B.A.Sc. degree in Geological Engineering, and is a Registered Professional Engineer in British Columbia. After working briefly as an exploration geologist in B.C., Audet joined Dome Mines Group in 1974 and served as Chief Geologist at the Sigma Mine at Val d'Or, Quebec until 1987. He has since worked as an international mining consultant, focusing on exploration, property acquisition and evaluation. Mr. Audet is fluent in French. Mr Audet is 63 years of age and lives in Courtenay, B.C.

**Michael Brickell, C.A. – Director**

Mr. Brickell is the Chairman and former President of Director of Resource Finance & Investment Ltd., a founding shareholder of the Company, and has been a Director of RFI since 1995. He is a chartered accountant by profession. He has a background in retail merchandising and marketing. He is a former Vice Chairman and Chief Executive Officer of a national Canadian speciality retail chain and currently serves as Chairman of Cotswold Collections Limited, the Cheltenham, UK based retailer. Mr. Brickell is 65 years of age and lives in Worcestershire, United Kingdom.

**Elmer Stewart, P. Geol. – Director**

Mr. Stewart has a Masters Degree in Geology and 28 years experience in the mineral industry. His early career development was with St. Joseph Exploration Limited, Noranda Exploration and AGIP Canada before assuming progressively senior management positions with Northern Minerals in 1991 and Eurasia Gold Corp., where he was President and CEO from 1997 until November 2000. Mr. Stewart has been involved in evaluating precious metal projects in North America, Eastern Europe, Mexico and South America. In 1999, he was involved in evaluating and putting two heap leach gold projects into production in Kazakhstan. Mr. Stewart is a registered Professional Geologist with APEGGA and has been a director of Alhambra since 1997. Mr. Stewart is 54 years of age and lives in Calgary, Alberta.

**David W. Childs, P. Eng., MBA - Director**

Mr. Childs has been active in small to medium size businesses for over 35 years, both as an executive and independent consultant, and has served as Eclips' President since 1993. He has managed technology companies with local, national, and international exposure. He has had a broad range of experience as a member of private and public boards. He received his Bachelor of Science degree from the University of Toronto in 1970, his Engineering degree in 1972 and a Masters of Business Administration degree from the University of Western Ontario in 1976. Mr. Childs is 59 years of age and lives in Orangeville, Ontario.

**Larry D. Sorenson, C.A. – Secretary & CFO**

Mr. Sorenson holds a B. Comm. in finance from the University of British Columbia, and is a practicing Chartered Accountant. For over the past 20 years Mr. Sorenson served as consultant for both private and public companies. Mr. Sorenson's business experience range includes credit and collections, receivership, auditing, accounting, hiring, income tax and business consulting. Mr. Sorenson has managed the day to day affairs of an accounting practice, been the accountant for a nuclear research facility, acted as controller for a food importer and performed the due diligence for a major purchase by a public company. Mr. Sorenson is 59 years of age and lives in Surrey, British Columbia.

## **Risks and Uncertainties**

Inherent to the business of acquiring, exploring mineral properties, the Company is exposed to a number of risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subject to variations in commodity prices, market

sentiment, exchange rates for currency, inflation and other risks. The Company currently has no source of revenue other than project management fees, and interest on cash balances. The Company will rely mainly on equity financing to fund exploration activities on its mineral properties.

The risks and uncertainties described in this section are not inclusive of all the risks and uncertainties to which the Company may be exposed.

### **Early Stage – Need for Additional Funds**

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to other companies in the same business, including under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

### **Exploration and Development**

Mineral exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, though present, are of insufficient size and/or grade to return a profit from production.

All of the mineral claims to which the Company holds or has a right to acquire an interest are in the exploration stages only, and are without a known body of commercial ore. Upon discovery of a mineralized occurrence, several stages of exploration and assessment are required before its economic viability can be determined. Development of the subject mineral properties would follow only if favorable results are determined at each stage of assessment. Few precious and base metal deposits are ultimately developed into producing mines.

### **Operating Hazards and Risks**

Mining operations involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, and in particular unexpected or unusual geological operating conditions, including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral deposits, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

Although the Company maintains liability insurance in an amount, which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial conditions.

### **Supplies, Infrastructure, Weather and Inflation**

Recent, improved market conditions for resource commodities after several years of record low prices have resulted in a dramatic increase in mineral exploration causing widespread shortages of experienced technical personnel, and heavy demand for drillers, and crews, and geophysical surveying crews, as well as other goods and services required by exploration companies to perform work.

It is difficult at this stage to quantify the effect of the increased demand for exploration goods and services, but it is forecast that field costs for the upcoming field season will be higher than the rate of inflation prevailing in other sectors of the economy. Exploration companies can also expect to experience difficulty in scheduling drill contracts, geophysical surveys, and other services that are key components of early stage exploration programs.

### **Metal Prices**

The mining industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of metals produced even if commercial quantities of precious and/or base metals are discovered. Factors beyond the control of the Company and may affect the marketability of metals discovered. Pricing is affected by numerous factors beyond the Company's control, such

as international economic and political trends, global or regional consumption and demand patterns, increased production and smelter availability. There is no assurance that the price of metals recovered from any mineral deposit will be such that they can be mined at a profit.

### **Title Risks**

Although the Company has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral property interest may be subject to prior unregistered agreements, or transfers, or native claims, and title may be affected by undetected defects.

### **Environmental Regulations, Permits and Licenses**

The Company's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, safety and other matters. Environmental legislation in Quebec provides restrictions and prohibition on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of stricter standards and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

A significant portion of the Company's claims lie within the boundaries of a newly established study area in which some or all of the lands may become subject to a special designation following assessment. This study area was established well after mineral titles were acquired by CWE. New claims are not being granted within these boundaries, however, existing titles are not encumbered and title holders retain of all pre-existing rights to conduct exploration and develop resulting mineral resources, subject only to regulations prescribed in the Mining Act.

The current operations of the Company require permits, while such operations are governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental, mine safety and other matters.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on Cadillac and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

The Company believes that it is in substantial compliance with all material laws and regulations, which currently apply to its activities. There can be no assurance, however, that all permits which the Company may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

### **Competition and Agreements with Other Parties**

The mining industry is intensely competitive in all its phases, and the Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

The Company may, in the future, be unable to meet its share of costs incurred under such agreements to which it is a party and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, the Company may not be able to finance the expenditures required to complete recommended programs.

### **Economic Conditions**

Unfavorable economic conditions may negatively impact the Company's financial viability. Unfavorable economic conditions could also increase the Company's financing costs, decrease net income or increase net loss, limit access to capital markets and negatively impact any of the availability of credit facilities to the Company.

### **Dependence on Management**

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

## **SUMMARY OF QUARTERLY RESULTS**

As at the quarter ending May 31, 2006 the Company had a working capital surplus of \$2,000,544. During the three month year ended May 31, 2006 the Company had interest income of \$104; acquisition and evaluation expenses of \$nil; general and administration expenses of \$22,519, professional fees of \$20,572; regulatory and filing Fees of \$7,584; rent of \$1,500 for a net loss of \$52,191.

	<b>Q4 2006</b>	<b>Q3 2006</b>	<b>Q2 2005</b>	<b>Q1 2005</b>	<b>Q4 2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total Revenue	1,932	0	641	0	0
Net Income (loss)	(50,071)	(35,948)	(243,748)	(17,184)	(9,822)
Loss Per Share	(.004)	(0.001)	(.009)	(.001)	(0.001)

## **LIQUIDITY & CAPITAL RESOURCES**

In 2005, the Company completed a private placement comprising of 600,000 special warrants which were issued at \$0.20 per special warrant, raising \$120,000..

In February of 2006, the Company completed a private placement comprising of 625,000 units consisting of one common share and one common share purchase warrant which were issued at \$0.20 per special warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.25 on or before February 28, 2007, raising \$125,000.

On May 31, 2006, the Company completed a private placement comprising of 425 A units and 137 B Units at a price of \$5,000 per unit. The A units consisted of 2,500 common shares, 7,500 flow-through shares and 2,500 share purchase warrants. The B units consist of 10,000 and 10,000 share purchase warrants. Each whole warrant entitles 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. This financing raised \$2,372,863 net of issuance costs of \$437,137.

To complete a brokered private placement of 6,420,000 shares (described in the preceding paragraph) at \$0.50 per share, 5,620,000 of which were issued on May 31, 2006, the Company issued an additional 57 A units and 25 B Units at a price of \$5,000 per unit. The A units consisted of 2,500 common shares, 7,500 flow-through shares and 2,500 share purchase warrants. The B units consist of 10,000 shares and 10,000 share purchase warrants. Each whole warrant entitles 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. This financing raised an additional \$355,600 net of issuance costs of \$36,900.

## **OFF BALANCE SHEET ARRANGEMENTS**

The company has no off Balance Sheet Arrangements.

## TRANSACTIONS WITH RELATED PARTIES

As at May 31, 2006, 265,893 (December 31, 2005 - \$126,500) was owed to companies controlled by directors and officers.

All amounts due to, or from, related parties are unsecured, bear no interest and have no fixed terms for repayment with the exception of \$100,000 due to companies controlled by the President and one director for which repayment will not be demanded until after fiscal 2007.

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

	May 31	December 31
	2006	2005
Management fees charged by a company controlled by the President	\$ 25,000	\$ 60,000
Management fees charged by companies controlled by common directors	22,000	197,619
Exploration fees charged by company controlled by a director	11,400	-
Consulting and accounting fees charged by a company controlled by an officer	42,250	6,500

### Conflicts of Interest

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Ontario Business Corporations Act (the "Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Act. In accordance with the laws of the Province of Ontario, the directors and officers of the Company are required to act honestly, in good faith, and the best interest of the Company.

## ACCOUNTING

### Critical Accounting Estimates

Please refer to Note 3 of the Company's Financial Statements for additional information under "Significant Accounting Policies".

### Changes in Accounting Policies Including Initial Adoption

Effective January 1, 2002 a new accounting standard for stock-based compensation plans was retroactively adopted. The standard encourages use of the fair-value based method for direct awards of stock options. No compensation expense is recognized for the plan when stock options are issued to employees at an exercise price that exceeds or equals the fair value of the Company's common shares at the date of the grant. Pro-forma earnings per share have not been presented to reflect the effect of options granted to employees prior to January 1, 2002. As no options have been granted during 2003, pro-forma net income and earnings per share have not been disclosed. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

### Financial & Other Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, accounts payable, accrued liabilities and advances. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from financial

instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity for prompt liquidation

### Disclosure of Outstanding Share Data

The following table states the diluted share capital of the Resulting Issuer	<b>Shares Outstanding (Diluted)</b>
Balance December 31, 2004, 2005	22,794,835
Issued for:	
Share consolidation (8 for 1) <sup>(1)</sup>	(19,945,480)
Private placement <sup>(2)</sup>	5,620,000
Consulting <sup>(3)</sup>	377,921
Debt settlement <sup>(4)</sup>	230,094
Acquisition of CWE <sup>(5)</sup>	13,975,762
<b>Total common shares issued and outstanding as at May 31, 2006</b>	<b>23,053,132</b>
Private placement completion <sup>(6)</sup>	820,000
Shares reserved for debt settlement <sup>(7)</sup>	16,666
Shares reserved for issuance pursuant the exercise of the Warrants <sup>(8)</sup>	5,118,100
Shares reserved for issuance pursuant the exercise of the Options <sup>(9)</sup>	1,437,500
Shares reserved for issuance pursuant the top up <sup>(10)</sup>	586,571
<b>Diluted Total as at September 28, 2006</b>	<b>31,032,969</b>

- 1) During the period, the Company consolidated its share capital on an 8 for 1 basis.
- 2) On May 31, the Company completed a private placement comprising of 425 A units and 137 B Units at a price of \$5,000 per unit. The A units consisted of 2500 common shares, 7500 flow-through shares and 2500 share purchase warrants. The B units consist of 10,000 common shares and 10,000 share purchase warrants. Each whole warrant entitles 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.
- 3) During the period, the Company issued 377,921 common shares in exchange for consulting services.
- 4) During the period, the Company issued 230,094 common shares in settlement of a number of debt obligations amounting to \$306,303 of debt.
- 5) The Company acquired Cadillac West Explorations Inc. (CWE) by the issuance of 13,975,762 shares in exchange for all the issued shares of CWE, pursuant to the terms of the Share Exchange Agreement dated January 31, 2006 between Eclips Inc., CWE and its principal shareholders.
- 6) To complete the brokered private placement of 6,420,000 shares at \$0.50 per share, 5,620,000 of which were issued on May 31, 2006, the Company issued an additional 57 A units and 25 B Units at a price of \$5,000 per unit. The A units consisted of 2,500 common shares, 7,500 flow-through shares and 2,500 share purchase warrants. The B units consist of 10,000 shares and 10,000 share purchase warrants. Each whole warrant entitles 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.

- 7) The Company is to issue 16,666 common shares valued at \$20,000 pursuant to a debt settlement agreement.
- 8) Outstanding warrants include 650,000 share purchase warrants exercisable at \$0.24 per common share on or before February 28, 2007, 1,456,000 share purchase warrants exercisable at \$0.24 per common share on or before November 30, 2008, and 3,404,600 share purchase warrants exercisable at \$0.55 per common share on or before July 10, 2007 and exercisable at \$0.75 per common share on or before July 10, 2008
- 9) Outstanding stock options include 37,500 options exercisable at \$1.20 per common share until May 28, 2009 and 1,400,000 options exercisable at \$0.50 per share until June 1, 2011, totaling 1,437,500.
- 10) The Company issued 586,571 common shares to former Eclips Inc. shareholders as part of an undertaking to ensure each former Eclips Inc. shareholder owned a minimum of 500 common shares in the Company. Management of the Company can not reasonably estimate the number of shares that may be further required.

### **Commitments**

The Company has entered into a contract with a private company (First Canadian Capital Corporation) to provide investor relations for a fee of \$5,000 per month for a period of 12 months. First Canadian was also granted 200,000 options at an exercise price of \$0.50. The option is exercisable on or before July 17, 2011

### **Recent Developments and Outlook**

The Company expects to obtain financing in the future primarily through further equity and/or debt financing, as well as through joint venturing and/or optioning out the Company's properties to qualified mineral exploration companies. There can be no assurance that the Company will succeed in obtaining financing, now or in the future. Failure to raise additional financing on a timely basis could cause the Company to suspend its operation and eventually to forfeit or sell its interest in its mineral properties.

### **Disclosure Controls and Procedures**

Management is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Company. Based on an evaluation of the Company's disclosure controls and procedures as of the end year covered by this MD&A, management believes such controls and procedures are effective in providing reasonable assurance that material items requiring disclosure are identified and reported in a timely manner.

### **Approval**

The Board of Directors of the Company has approved the disclosure contained in this MD&A.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.cadillacmining.com](http://www.cadillacmining.com) .