



Cadillac Ventures Inc.
Management's Discussion and Analysis
Year Ended
May 31, 2011

CADILLAC VENTURES INC. – MANAGEMENT’S DISCUSSION AND ANALYSIS

Year Ended May 31, 2011

Introduction

This management discussion and analysis (“MD&A”) of results, operations and financial condition of Cadillac Ventures Inc. (“Cadillac” or the “Company”) describes the operating and financial results of the Company for the year ended May 31, 2011. The MD&A supplements, but does not form part of the consolidated financial statements of the Company, and should be read in conjunction with Cadillac’s audited consolidated financial statements and related notes for the fiscal year ended May 31, 2011. The Company prepares and files its consolidated financial statements in accordance with Canadian generally accepted accounting principles (“GAAP”). The currency referred to in this document is the Canadian Dollar.

Forward Looking Statements

The information in the MD&A contains forward looking statements, including statements about anticipated operating and financial performance. Such statements are not guarantees of future performance which is subject to risks and uncertainties only some of which are within the Company’s control, and any or all of which could cause the Company’s performance to be materially different from what directors may believe. Given the uncertainties associated with forward looking statements, readers are cautioned not to place undue reliance on them. The Company does not undertake to update any forward looking statements contained herein.

Overview of Fiscal Year

Cadillac Ventures Inc reported a net loss of \$ 856,363 after future income tax recovery of \$ 1,946,500 for the year ended May 31, 2011 compared with a net loss of \$ 2,898,901 after future income tax recovery of \$ Nil for the year ended May 31, 2010. Cadillac incurred a net loss before future income tax recovery of \$ 2,802,863 for the year ended May 31, 2011 compared with a net loss of \$ 2,898,901 for the year ended May 31, 2010.

The Company had cash and short term investments of \$ 3,152,900 as at May 31, 2011 compared with \$ 166,705 at May 31, 2010.

During the year ended May 31, 2011, Cadillac successfully completed two private placements for aggregate gross proceeds of \$ 11,861,600. In June 2010 the Company completed a private placement financing in two tranches for aggregate gross proceeds of \$ 4,608,893 pursuant to which Cadillac issued 11,081,333 units at a price of \$ 0.22 per unit raising gross proceeds of \$ 2,437,893 and 8,684,000 flow-through units at a price of \$ 0.25 per flow through unit raising gross proceeds of \$ 2,171,000. In November and December 2010, the Company completed a further private placement financing in two tranches for aggregate gross proceeds of \$7,252,707. Cadillac issued 17,546,875 flow-through units at a price of \$0.32 per flow-through unit raising gross proceeds of \$ 5,615,000 and 5,848,955 units at a price of \$ 0.28 per unit raising gross proceeds of \$ 1,637,707. With regards to both these private placements Orion Mining International B.V. an existing shareholder of the Company and an indirect wholly-owned subsidiary of Trafigura Beheer, B.V., subscribed in total for 10,790,288 units of the Company. Each unit consisted of one common share of the Company and one-half of one warrant. Earlier

in the year Trafigura had transferred its holdings in the Company to Urion Mining International B.V. Urion's subscription allowed it to maintain its approximate 25% equity interest in the Company, through the exercise of its pre-emptive right under a pre-existing agreement between the Company and Urion. Following these placements Urion held 26,551,094 common shares of Cadillac (representing approximately 24.8% of Cadillac's then outstanding shares) and warrants to acquire 7,895,144 additional common shares, which, if exercised, would result in Urion holding approximately 29.9% of Cadillac's then outstanding common shares.

Total expenditures on mineral properties during the year amounted to \$ 4,837,827 being \$ (80,024) credit on the Company's New Alger property, \$ 134,588 on Cadillac's 51% owned Burnt Hill property, \$ 1,295,556 on the Matsa Joint Venture property, \$ 3,624,445 on the Thierry Mine Property and \$ (136,738) credit on the Pickle Gold property. A summary of project activity during the year is as follows.

- Cadillac entered into a joint venture agreement with Renforth Resources Inc. in November 2009 whereby Renforth shall have the right to acquire a 51% interest in the New Alger property subject to certain conditions. During the year Renforth reported the completion of a nine hole drill program. Each of the nine holes drilled intersected gold and Renforth has now commenced work on a preliminary re-interpretation of the New Alger mineralization.
- A prospecting and exploration program was completed on the Burnt Hill property earlier in the year which focused on the Tin Hill, Todd Mountain, Two and a Half Mile Brook and McLean Brook showings. The program was a success in that mineralization was found and sampled in each area. No further work was carried out during the year. However a further work program will be undertaken during the first half of fiscal year 2012 which the Company's recent funding will facilitate.
- Cadillac's exploration program on the Matsa Joint Venture continued during the year. During the second quarter of fiscal year 2011, Cadillac undertook a diamond drill program of fourteen drill holes over a number of properties. This drilling program commenced with five holes being drilled on the San Eduardo workings located on the El Soldado Investigation Permit. Cadillac reported that the assay results from this program demonstrate that there is continuity to the massive and semi-massive sulphide mineralization over the five holes drilled. On completion of the San Eduardo workings drilling commenced on the San Platon project on the Buitrera Investigation Permit where Cadillac has drilled five holes. This project was historically productive and is reported to have residual mineralization in situ. The reported results from the first three holes drilled on the San Platon project have seen positive assay results for all three holes drilled. Two further holes were drilled on each of the Esperanza and the Chaparrita projects during the year. During the year Cadillac also commenced a reverse circulation drilling programme with fifty six holes being drilled on the San Miguel gossan where a sampling program completed earlier in the year had outlined a gold bearing gossan zone. Expenditures to date on the Matsa project now total \$ 3,044,724 as of May 31, 2011. Under the terms of the MATSA Joint Venture Cadillac can increase its interest to 90% on the joint venture properties by having incurred \$3 million of expenditures on the properties on or before September 30, 2011.
- On the Thierry Property, Cadillac completed its six planned drill holes during the current year. The objective of the drilling program is to infill drill at depth an area where there is

lack of information in the Thierry deposit model. Assay results have confirmed successful intersections of the mineralized zone at depth of the known Thierry deposit. Additionally a diamond drill program designed to test for shallower extension of mineralization from the known and modeled deposit was completed and confirmed the extension of mineralization both to the west and to the east of the known deposit with both directions remaining open. Following the completion of these drilling programs an updated resource statement together on the Thierry project will be completed.

- 3 kilometers to the east of the Thierry mine area the eastern component of the property encompasses a project referred to as K1-1. This area was historically drill tested by UMEX who defined the mineralization in 1973 and 1981. During February and March 2011 Cadillac completed three shallow drill holes on the K1-1 occurrence in order to test previous results and intersected wide zones of mineralization demonstrated by the UMEX drilling. Subsequent to May 31, 2011 Cadillac reported the commencement of a 2,000 metre drill program on the shallow K1-1 deposit.
- In February 2011, Cadillac reported that it had entered into an agreement with Urion Mining International B.V., an indirect wholly-owned subsidiary of Trafigura Beheer B.V., whereby Cadillac will acquire an initial 30% indirect interest in an approximately 51,000 hectare mineral property located 100km north of Lima, Peru. Closing of this agreement is conditional upon satisfaction of customary closing conditions and deliveries, receipt of applicable regulatory approvals including acceptance by the TSX Venture Exchange.

Cadillac continued to review a number of potential exploration opportunities during the year.

Additional Information

Additional information relating to the Corporation is available on the Internet at the SEDAR website at www.sedar.com.

1.1 Date of MD&A

This MD&A was prepared on August 22, 2011.

1.2 Overall Performance

Fiscal year ended May 31, 2011

Cadillac reported a net loss of \$ 856,363 after future income tax recovery of \$ 1,946,500 for the year ended May 31, 2011 compared with a net loss of \$ 2,898,901 for the year ended May 31, 2010. There was no future income tax recovery in 2010.

The net loss for the year ended May 31, 2011 before future income tax recovery amounted to \$ 2,802,863 which compares to \$ 2,898,901 for the previous year. Stock based compensation

costs for the year ended May 31, 2011 amounted to \$ 399,784 compared to \$ 523,223 for the year ended May 31, 2010. This decrease resulted from the lower level of stock options granted during the current year when compared to the previous year. The high level of stock based compensation expensed during the year can be mainly attributed to stock options granted during the quarter ended August 31, 2010 which vested immediately thus resulting in all of the stock option compensation being incurred in the current year. The higher level of stock based compensation during the year ended May 31, 2010 can also be attributed to certain stock options granted during that year which vested immediately. Management and consulting fees amounted to \$ 841,773 for the year ended May 31, 2011 compared to \$ 966,105 for the corresponding period of 2010, a decrease of \$ 124,332. This decrease was mainly due to the reduced number of personnel providing management and consulting services to Cadillac during year ended May 31, 2011. Management and consulting fees for the year ended May 31, 2010 included fees payable to former Richview Resources personnel. Shareholder relations amounted to \$ 141,562 during the year compared to \$ 136,972 for the previous year. Shareholder relations costs include expenses relating to the provision of shareholders information, TSXV fees, filing services costs and transfer agents fees. Shareholder relations costs for the year ended May 31, 2011 were higher than normal due mainly to TSXV listing fees in connection with the June and November 2010 private placements. Shareholder relations costs for 2010 were also higher due to filing fee costs incurred in connection with the amalgamation with Richview Resources Inc. Legal and audit costs for the year ended May 31, 2011 totalled \$ 255,764 compared to \$ 270,633 for the corresponding period of 2010. Legal fees for 2011 amounted to 215,764 compared to \$ 208,333 for 2010. The high level of legal costs during 2011 were partly as a result of legal fees incurred in connection with both the private placements during the year and fees incurred on ongoing corporate matters. The high level of legal fees incurred in 2010 is partially due to fees incurred in connection with the amalgamation of Richview Resources Inc during that year. Audit fees for fiscal year 2011 amounted to \$ 40,000 compared to \$ 62,300 for 2010. The higher fees in 2010 were due to the increased level of audit work arising from the amalgamation with Richview during that year. Office and general costs for the year amounted to \$ 243,624 compared to \$ 252,758 for the year ended May 31, 2010. Office and general consist mainly of rent, payroll, insurance, telephone, website and computer costs, bank charges and various other office expenses. Office and general costs have decreased during the current year mainly as a result of certain costs pertaining to 2010 not being incurred in 2011. Travel costs for the year ended May 31, 2011 totalled \$ 174,107 compared to \$ 171,495 for the corresponding period of 2010. Travel costs incurred by the Company are mainly in connection with evaluating exploration opportunities in Spain, South America and other areas outside Canada. Accounting and corporate services totalled \$ 115,522 for 2011 which compared to \$ 63,500 for the preceding year. This increase is due mainly to the increased level of accounting services required by Cadillac during the current year following the amalgamation with Richview. Advertising and promotion and investor relations costs totalled \$ 284,318 for 2011 compared to \$ 238,237 for the year ended May 31, 2010. This increase was primarily due to the increased level of investor relations activity undertaken by Cadillac during the year ended May 31, 2011. Flow-through interest charges amounted to \$ 7,038 for the year compared to \$ 2,181 for the year ended May 31, 2010. The 2011 charges were incurred as a result of late registration of the June 2011 flow-through arrangement. Exploration evaluation expenses for the year ended May 31, 2011 totalled \$ 260,496 compared to \$ 226,778 for the corresponding period of 2010. These expenditures include the costs of Cadillac exploration personnel and expenditure incurred by Cadillac as part of an ongoing process of evaluating a number of potential exploration projects. Amortization of fixed assets for the year amounted to \$ 51,417 compared to \$ 64,403 for year ended May 31, 2010. An unrealized loss on a marketable security for the year amounted to \$ 30,000 compared to \$ 7,500 for 2010. Interest and other income for 2011 totalled \$ 34,731 compared to \$ 24,884

for 2010. This increase is due to increased levels of deposit interest earned as a result of Cadillac's increased cash holdings during the current period. The loss on sale of mining equipment fixed assets for the year totalled \$ 32,189 compared to \$ Nil for 2010. The expenses incurred by the Company are detailed under Operations in Section 1.15. This has resulted in a net loss before future income tax recovery for the year ended May 31, 2011 of \$ 2,803,863 compared to a net loss of \$ 2,898,901 for the corresponding period of 2010.

The future income tax recovery for the current year amounted to \$ 1,946,500 compared to \$ Nil for the corresponding period of 2010. Future income tax recovery in 2011 arose from the issue of flow through common shares by the Company during the 2010 calendar year whereby the exploration expenses from these proceeds are renounced. This renunciation creates a future income tax recovery which is reflected in the Consolidated Statement of Loss. This has resulted in a net loss for the year ended May 31, 2011 of \$ 856,363 compared to a net loss of \$ 2,898,901 for the corresponding period of 2010.

1.3 Selected Annual Information

Selected Annual Information	Year Ended 31-May-11	Year Ended 31-May-10	Year Ended 31-May-09	Year Ended 31-May-08
Interest and other income	34,731	24,884	58,044	5,253
Income or Loss (In Total)	(856,363)	(2,898,901)	(1,551,823)	(717,216)
Income or Loss\per Share Basic	(0.01)	(0.06)	(0.04)	(0.03)
Income or Loss\per Share Diluted	(0.01)	(0.06)	(0.04)	(0.03)
Cash and Short Term Investments	3,152,900	166,705	3,821,240	3,202,630
Working Capital (Deficit)	3,045,550	(783,633)	3,995,279	3,389,697
Total Assets	23,754,721	15,440,078	8,551,000	7,273,050
Total Long Term Financial Liabilities	0	0	0	0
Cash Dividends Declared	0	0	0	0

1.4 Results of Operations

Fiscal Year 2011 Financing Activities Summary

Date	Gross Amount Raised	Stated Use of Proceeds
June 2010	\$ 4,608,893	Exploration Expenses and General Working Capital
Nov/Dec 2010	\$ 7,252,707	Exploration Expenses and General Working Capital
Total	\$11,861,600	

Fiscal Year 2011 Financing Activities

During the year ended May 31, 2011, Cadillac completed two private placements for aggregate gross proceeds of \$ 11,861,600.

In June 2010 the Company completed a private placement financing in two tranches for aggregate gross proceeds of \$ 4,608,893 pursuant to which Cadillac issued 11,081,333 units and 8,684,000 flow-through units. Each unit was issued at \$0.22 and consisted of one common share and one-half of one warrant. Each flow-through unit was issued at \$0.25 and consisted of one "flow-through" common share and one-half of one warrant. Each whole warrant is exercisable for 24 months for one common share at \$0.35. The proceeds from the financing will principally be used for exploration expenditures in respect of Cadillac's mineral property projects and for general working capital purposes. The financing constituted a related party transaction for Cadillac as Trafigura Beheer, B.V. an existing shareholder of the Company subscribed for 4,941,333 units representing approximately 25% of the private placement. Following the placement Trafigura held 20,702,139 common shares of Cadillac (representing approximately 25% of Cadillac's then outstanding shares) and warrants to acquire 8,241,695 additional common shares, which, if exercised, would result in Trafigura holding approximately 31.5% of Cadillac's then outstanding common shares. During February 2011 a total of 3,271,078 Trafigura warrants lapsed. In connection with this financing Cadillac incurred share issue costs of \$ 381,320 and issued an aggregate of 1,440,106 compensation options to registrants. Each compensation option entitles the holder to purchase one common share of Cadillac at a price of \$0.35 per share for one year.

In November and December 2010, the Company completed, in two tranches, a brokered private placement financing and a non brokered private placement financing for aggregate gross proceeds of \$7,252,707. With regards to the brokered private placement Cadillac in total issued 17,546,875 flow-through units at a price of \$0.32 per flow-through unit raising gross proceeds of \$ 5,615,000. The proceeds from the sale of these flow-through units will be used for exploration expenses on the Company's Ontario and New Brunswick properties - \$ 4,615,000 on the Cadillac's Ontario property and \$ 1,000,000 on its New Brunswick property. Each flow-through unit consists of one common share of the Company issued on a "flow-through" basis and one-half of one common share purchase warrant. Each whole warrant is exercisable for one non-flow-through common share of the Company at a price of \$0.45 for a period of 24 months following closing. In connection with the closing Cadillac incurred share issue costs of

\$ 476,573 and issued an aggregate of 1,387,500 compensation options to registrants. Each compensation option entitles the holder to purchase one common share of Cadillac at a price of \$ 0.28 per share for a period of 18 months after closing.

With regards to the non-brokered private placement financing Orion Mining International B.V. an existing shareholder of the Company and an indirect wholly-owned subsidiary of Trafigura Beheer, B.V., subscribed in total for 5,848,955 units of the Company at a price of \$ 0.28 per unit for gross proceeds of \$ 1,637,707. Earlier in the year Trafigura had transferred its holdings in the Company to Orion Mining International B.V. Orion's subscription allowed it to maintain its approximate 25% equity interest in the Company, through the exercise of its pre-emptive right under a pre-existing agreement between the Company and Orion. Each unit consists of one common share of the Company and one-half of one warrant. Each whole warrant is exercisable for an additional common share of the Company at a price of \$ 0.40 for a period of 24 months following closing. The net proceeds from the sale of Units will be used for general working capital purposes. During February 2011 a total of 3,271,078 Trafigura warrants lapsed. At May 31, 2011 Orion hold 26,551,094 common shares of Cadillac (representing approximately 24.8% of Cadillac's then outstanding shares) and warrants to acquire 7,895,144 additional common shares, which, if exercised, would result in Orion holding approximately 29.9% of Cadillac's then outstanding common shares.

Cadillac's total funding from private placements during the year ended May 31, 2011 amounted to \$ 11,861,600.

Fiscal Year 2011 Project Activity Summary

Total expenditures on mineral properties during the year amounted to \$ 4,837,827 being \$ (80,024) credit on the Company's New Alger Joint Venture property, \$ 134,588 on its 51% owned Burnt Hill property, \$ 1,295,556 on the Matsa Joint Venture property, \$ 3,624,445 on the Thierry Mine Property and \$ (136,738) credit on the Pickle Gold property.

Regarding the New Alger project, Cadillac entered into a joint venture agreement with Renforth Resources Inc. in November 2009 whereby Renforth has the right to acquire a 51% interest in the New Alger property subject to certain conditions. During the year Renforth completed a nine hole drill program on the property. Each of the nine holes drilled intersected gold and Renforth has now commenced work on a preliminary re-interpretation of the mineralization on the New Alger property taking in to account the occurrence of arsenopyrite.

Regarding the Burnt Hill Joint Venture project the Company had announced the results of the initial resource estimate and completed a NI 43-101 compliant Technical Report and Resource Estimate which was filed on Sedar (www.sedar.com) during the fiscal year 2010. During the first quarter of fiscal year 2011 a prospecting and exploration program was completed on the Burnt Hill property. This program focused on the Tin Hill, Todd Mountain, Two and a Half Mile Brook and McLean Brook showings. The program was a success in that mineralization was found and sampled in each area. Cadillac subsequently announced the results of the program and reported that the results at Tin Hill and McLean Brook warrant further work. No further work was carried out during the remainder of the 2011 fiscal year. However a further work program

will be undertaken during the first half of fiscal year 2012 which the Company's recent funding will facilitate.

Cadillac's drilling program on the Matsa Joint Venture continued during the year. During the second quarter of fiscal year 2011, Cadillac undertook a diamond drill program of fourteen drill holes over a number of properties including San Eduardo-Soldado, San Platon, Esperanza and Chaparrita. This drilling program commenced with a total of five holes being drilled on the San Eduardo workings located on the El Soldado Investigation Permit. Cadillac reported that the assay results from this program on the San Eduardo workings (see press releases dated October 14 and 21, 2010) demonstrate that there is continuity to the massive and semi-massive sulphide mineralization over the five holes drilled. On completion of the San Eduardo workings drilling commenced on the San Platon project on the Buitrera Investigation Permit where Cadillac drilled five holes. This project was historically productive and is reported to have residual mineralization in situ. The reported results from the first three holes drilled on the San Platon project have seen positive assay results. Two further holes were drilled on each of the Esperanza and the Chaparrita projects during the year. Following the completion of the drilling program Cadillac will evaluate the results of the drilling to determine the next phase of the exploration program in Spain.

During the third quarter Cadillac also completed a reverse circulation drilling program with fifty six holes being drilled on the San Miguel gossan where a sampling program completed earlier in the year had outlined a gold bearing gossan zone. Results of the drilling are being evaluated to determine the next phase of the gossan program.

Expenditures on the Matsa project to May 31, 2011 total \$ 3,044,724. Under the Matsa Joint Venture Cadillac can increase its interest to 90% on the joint venture properties by having incurred \$3 million of expenditures on the properties on or before September 30, 2011.

Cadillac acquired the past producing Thierry mine property in north-western Ontario adjacent to the Town of Pickle Lake following the acquisition of Richview Resources Inc in January 2010. Cadillac reported during the first quarter of fiscal year 2011 that the resource estimate update carried out by P&E Mining Consultants Inc. for the former Thierry mine was completed and consisted of a measured and indicated resource of 6,228,000 tonnes containing 1.92% Copper and 0.02% Nickel and an inferred resource of 8,379,000 tonnes containing 1.79% Copper and 0.16% Nickel using an NSR cut off of \$ 46/tonne. This report enabled Cadillac to identify target areas for a drilling campaign for up to 5,000 metres of diamond drilling which will target three areas. This drilling program commenced in late August 2010 in conjunction with a planned dewatering initiative at Thierry. The objective of the drilling program was to infill drill an area at depth where there is lack of information in the Thierry deposit model. Cadillac reported the successful completion of all six drill holes with a total of 22,367 feet being drilled in May 2011. Assay results to date from each of these holes indicate a successful intersection of the mineralized zone at depth of the known Thierry deposit. The completion of the first three holes also enabled Cadillac to provide an "exploration target" addition of 3 to 5 million tonnes in addition to the current NI 43-101 resource estimate referred to above (see press release dated April 27, 2011). Additionally a diamond drill program designed to test for shallower extension of mineralization to the east and west of the known and modeled deposit commenced in January 2011. Cadillac has reported that the assay results from these drill holes have confirmed the extension of mineralization both to the west and to the east of the known deposit with both directions remaining open. The results of the main drilling program at Thierry together with the

extensions of the strike length to the west and east will form the basis of a recently commissioned updated 43-101 resource estimate for the Thierry project.

Separate from the Thierry mine area the eastern area of the property encompasses a project referred to as K1-1. The area which lies three kilometers east of the Thierry mine, was historically drill tested by UMEX who defined the mineralization in 1973 and 1981 based upon drilling completed at the time. During February and March 2011 Cadillac completed three shallow drill holes on the K1-1 occurrence in order to test previous results and intersected wide zones of mineralization demonstrated by the UMEX drilling. Subsequent to May 31, 2011 Cadillac reported the commencement of a 2,000 metre drill program on the shallow K1-1 deposit.

Pursuant to the Richview amalgamation, Cadillac also acquired the Pickle Gold property consisting of 21 mining claims in the Patricia Mining Division of Ontario. In June 2010 Cadillac optioned the Pickle Gold claims to Newcastle Minerals Ltd.

In February 2011, Cadillac reported that it has entered into an agreement with Urion Mining International B.V., an indirect wholly-owned subsidiary of Trafigura Beheer B.V., whereby Cadillac will acquire an initial 30% indirect interest in an approximately 51,000 hectare mineral property located 100km north of Lima, Peru and referred to as the Lima Norte property. Closing of this agreement is conditional upon satisfaction of customary closing conditions and deliveries, the receipt of applicable regulatory approvals including acceptance by the TSX Venture Exchange.

Cadillac continued to review a number of potential exploration opportunities during the year.

Project Summaries

New Alger

The New Alger project is a previously productive property, it hosts the historically productive Thomson-Cadillac mine located outside of Cadillac, Quebec. Following the completion of an exploration and drilling program on the New Alger property during Cadillac's 2008 fiscal year the Company commenced a long term drill program designed to identify the scope of mineralization present on the Company's property along the Cadillac break, and outline new mineralization untouched by the historic, shallow, mining operation. The initial stage of this program included further testing on one of the geophysical anomalies previously drilled as well as testing for mineralization at deeper levels.

In November 2009, Cadillac entered into a joint venture agreement with Renforth Resources Inc. whereby Renforth has been granted the right to acquire a 51% interest in the New Alger property through the payment of \$ 250,000 to Cadillac over a period of three years, the issuance of 2,500,000 common shares to Cadillac over a two year period and spending \$ 2,500,000 in exploration on the property over a period of three years. Upon completion of these obligations the parties shall be contributing to the property as to 51% Renforth and 49% Cadillac. Renforth will be the operator and supervisor of exploration for the joint venture. To date Renforth has paid \$ 50,000 and has issued 1,500,000 common shares to Cadillac.

During the third quarter of fiscal year 2011, Renforth completed a nine hole drill program on the property. Due to more recent developments and the known association between gold and arsenopyrite this drill campaign focused on sampling all occurrences of arsenopyrite. Each of

the nine holes drilled intersected gold and Renforth has now commenced work on a preliminary re-interpretation of the mineralization on the New Alger property taking in to account the occurrence of arsenopyrite.

Expenditures credits by Cadillac on New Alger for the year ended May 31, 2011 amounted to \$ (80,024) which was mainly due to the receipt of revenues and common shares from Renforth under the terms of their joint venture agreement with Cadillac.

Burnt Hill

Following the completion of the exploration program on the Company's 51% owned Burnt Hill property Cadillac announced the results of this work program with Noront in March 2008 (See Cadillac's press release dated March 25, 2008). The Burnt Hill Project was found to contain widespread tungsten and molybdenite mineralization in multiple zones along and across strike and down dip from historically defined mineralization. Cadillac management was encouraged by the results of the program and in May 2009 commissioned the preparation of an initial resource estimate on Burnt Hill based on drilling carried out by Cadillac and sample analysis conducted by previous exploration companies on the project. During the first quarter of Cadillac's fiscal year 2010 the Company announced the results of the initial resource estimate and subsequently completed a NI 43-101 compliant Technical Report and Resource Estimate which was filed on Sedar (www.sedar.com). Although management believes this current resource estimate justifies a further work program to define the indicated and inferred resource by drilling certain areas of the deposit where information gaps exist in the currently defined resource, no decision has yet been made to commence this drilling program.

During the first quarter of Cadillac's fiscal year 2011 a prospecting and exploration program was completed on the Burnt Hill property. This program focused on the Tin Hill, Todd Mountain, Two and a Half Mile Brook and McLean Brook showings. Cadillac carried out initial sampling, prospecting and mapping in each of these areas. The program was a success in that mineralization was found and sampled in each area. Cadillac subsequently released the results of this program and reported that the results at Tin Hill and McLean Brook warrant further work (see press release dated September 16, 2010).

No further work was carried out during the fiscal year 2011. However a further work program will be undertaken during the first half of fiscal year 2012 which the Company's recent funding will facilitate. Expenditure on Burnt Hill for the year ended May 31, 2011 amounted to \$ 134,588.

The Company has a further option to acquire an additional 14% interest in the Burnt Hill project on the payment of \$ 500,000 in either cash or common shares as determined by Cadillac.

Matsa Joint Venture

In December 2008, Cadillac signed a joint venture agreement, (which was subsequently amended in March 2009 and June 2009), with Minas de Aguas Tenidas, S.A. ("Matsa"), a wholly owned subsidiary of Iberian Minerals Corp. encompassing 14 properties totalling approximately 232 km² within the Iberian Pyrite Belt of southern Spain. Under the Matsa Joint Venture Cadillac holds an initial 1% in the properties and can increase its interest to 90% by incurring \$3 million of expenditures on the properties on or before September 30, 2011. Cadillac will be operator of all exploration programs and is obligated to maintain the properties in good standing. Once Cadillac earns a 90% interest, future exploration expenditures under the joint venture will continue to be funded by Cadillac.

The Company initially undertook a review of the prospects comprising the Matsa Joint Venture and identified three properties as immediate targets on which exploration commenced. This exploration program consisted of geophysical surveys, surface sampling and geological mapping on identified targets. Following the completion of this program a surface diamond drilling program commenced on the three identified target properties - Chaparrita, Angelita and Majada. In its press release dated February 10, 2010, the Company announced that to date it had drilled approximately 2,700 metres on the three properties and included selected assay results on the Chaparrita property following the completion of a five hole drill program on that property. Two drill holes had been completed on the Angelita property but access to the third hole proved difficult due to prevailing weather conditions and was not drilled. Cadillac subsequently completed its drilling program with three holes being drilled on the Majada property which resulted in a total of 3,060 metres being drilled on the three properties.

Cadillac also carried out an extensive ongoing program of ground geophysics over a number of selected ground gravity targets. In its press release dated February 18, 2010, the Company released results from the surface sampling campaign which commenced in November 2009. The samples were obtained over a number of Matsa Joint Venture properties and permits with the sampling program being focused on polymetallic massive sulphide mineralization, gold bearing gossans, and waste dumps from historical mining activities. The results obtained with this small indicative sampling program provided the basis for management to design an advanced level of exploration activity and sampling referred to as an orientative sampling program and encompassing several of the investigative permits. In May 2010 Cadillac also reported on sample assay results from both the Esperanza and Angostura projects on the Esperanza P.I. (see press releases dated May 17, 18 and 25, 2010).

In April 2010, Cadillac announced that it had been granted four further Investigation Permits – P.I. Esperanza, P.I. El Soldado, P.I. Toriles and P.I. San Casiano. In its press release dated May 3, 2010, Cadillac released the assay results obtained through the orientative sampling program to that date which included a result of 6.87 gpt Au from a 1.09 kg sample from the exposed contact zone in an area of the historical San Miguel Mine in the P.I. Esperanza permit area. In management's opinion the results warranted geological mapping of the property in the area of the former mining activities and this identified three lithologies present in the San Miguel gossan zone. In May 2010, the Company announced that a systematic grid sampling program on the San Miguel gossan would commence which subsequently resulted in 110 samples being sent for processing. Cadillac reported in July 2010 that following the analysis of these samples a follow-up reverse circulation drilling program had been designed to define the extent and grade of the San Miguel gold gossan. During the third quarter of fiscal year 2011 Cadillac commenced this reverse circulation drilling programme with fifty six holes being drilled. Cadillac reported that the initial holes drilled had returned gossan material in a range of thickness from five to thirty metres in an area that had not returned assay values during the earlier sampling campaign. The presence of gossan at depth in these holes increases the potential size of the gossan body. Results of the drilling have now been completed and are presently being evaluated to determine the next phase of the gossan program.

In addition during the second quarter of fiscal year 2011, Cadillac undertook a diamond drill program that would ultimately result in fourteen holes being drilled over a number of properties including San Eduardo-Soldado, San Platon, Esperanza and Chaparrita,. This drilling program commenced with a total of five holes being drilled on the San Eduardo workings located on the El Soldado Investigation Permit. Cadillac reported that the assay results from this program (see

press releases dated October 14 and 21, 2010) demonstrate that there is continuity to the massive and semi-massive sulphide mineralization over the five holes drilled. The mineralization is open to the West, East and downdip with increasing thickness to the North. The property is known to host additional mineralization 100m to the east of hole SE-10-01 in the form of cupiferous shales. These were partially mined in the past using underground workings to a depth of 50 metres. It appears that the mineralization is stratiform and located above the sequence of massive and semi massive mineralization intersected in the 5 holes drilled. On completion at the San Eduardo workings drilling commenced on the San Platon project on the Buitrera Investigation Permit where Cadillac drilled five holes. This project was historically productive and is reported to have residual mineralization in situ. Cadillac reported the assay results from the first two drill holes (see press releases dated November 4 and 18, 2010) including 5.42% Cu over two metres in the first drill hole and including 7.38% Zn over 2.6 metres in the second drill hole. Cadillac subsequently reported the assay results of the third drill hole on the San Platon project (see press release dated January 20, 2011) which has now seen positive assay results for all three holes drilled to date. Two further holes were also drilled on San Platon. Cadillac then commenced drilling on the Esperanza property which had been previously mined by underground between 1906 and 1931 with no further exploration being carried out subsequent to 1931. Two holes were drilled targeting the continuity of the mineralization and it is now planned to carry out a down hole electromagnetic survey on the two holes drilled. In addition ten reverse circulation drill holes were drilled on a nearby gossan at Esperanza which had been included in the 2010 surface sampling program. The current phase of the drilling program was completed on the Chaparrita property which was mined by underground and open pit between 1855 and 1886 and again from 1907 to 1909. Cadillac had previously drilled five holes on this property in early 2010 and the two further holes were drilled to explore the lower semi massive sulphides previously intersected. Following the completion of the drilling program Cadillac will evaluate the results of the drilling to determine the next phase of the exploration program in Spain.

Expenditure on the Matsa Joint Venture properties during the year totalled \$ 1,295,556. Expenditures to date on the Matsa project now total \$ 3,044,724 as of May 31, 2011. Under the terms of the MATSA Joint Venture Cadillac can increase its interest to 90% on the joint venture properties by incurring \$3 million of expenditures on the properties on or before September 30, 2011.

Thierry Property

During Cadillac's fiscal year 2010, the Company acquired Richview Resources Inc. through the amalgamation of Richview with a wholly owned subsidiary of Cadillac pursuant to a three cornered amalgamation. Pursuant to the amalgamation Cadillac acquired the past producing Thierry mine in north-western Ontario adjacent to the Town of Pickle Lake which was last operated by UMEX and shut down in 1982 due primarily to the decline in the price of copper. The Thierry mine property encompasses a land position of approximately 4,669 hectares of mining leases and approximately 1000 hectares of adjoining staked mineral claims. Following the amalgamation Cadillac obtained access to the detailed geological and technical information on Thierry that became available. This data was then evaluated with the objective of developing a comprehensive work program on the project. Cadillac retained P&E Mining Consultants Inc. to revise the resource estimate for Thierry to include the additional data generated by the drilling of 20 holes in 2007 and 2008 by the former operators of the property as well as the drilling used in previous NI 43-101 resource estimates. This updating and remodelling of the mineralized zone allowed Cadillac to identify areas to target for a planned surface drilling campaign. Cadillac reported in its press release dated June 9, 2010 that the resource estimate update by

P&E Mining Consultants Inc. for the former Thierry mine consists of a measured and indicated resource of 6,228,000 tonnes containing 1.92% Copper and 0.02% Nickel and an inferred resource of 8,379,000 tonnes containing 1.79% Copper and 0.16% Nickel using an NSR cut off of \$ 46/tonne. This report, which is available under the Company's profile on Sedar at www.sedar.com, enabled Cadillac to identify target areas for a surface drilling campaign for up to 5,000 metres of diamond drilling in conjunction with a dewatering initiative at Thierry. The objective of the drilling program was to infill drill an area at depth where there is lack of information in the Thierry deposit model with six holes planned to be drilled. Cadillac successfully completed three of these holes by February 2011. Assay results to date from each of these holes indicate a successful intersection of the mineralized zone at depth of the known Thierry deposit (see press releases dated September 29, 2010, October 26, 2010, November 10, 2010 and February 11, 2011). The completion of these first three holes has enabled Cadillac to provide an "exploration target" addition of 3 to 5 million tonnes in addition to the current NI 43-101 resource estimate referred to above (see press release dated April 27, 2011). The remaining three holes were drilled during the fourth quarter of fiscal year 2011 and in May Cadillac reported the successful completion of all six holes with a total of 22,367 feet being drilled. All drill holes encountered mineralization at depth. Assay results to date from each of the three holes drilled during the fourth quarter indicate a successful intersection of the mineralized zone at depth of the known Thierry deposit (see press releases dated May 19 2011 and May 26, 2011).

Additionally a diamond drill program designed to test for shallower extension of mineralization from the known and modeled deposit commenced in January 2011. The first three holes of this shallow drilling portion of the program, which was designed to test the western edge of the mineralized horizon and to extend the zone further to the west of the current model, were completed. A second phase of this program consisting of a series of holes to extend the zone further to the east was also completed. Cadillac has reported that the assay results from these drill holes have confirmed the extension of mineralization both to the west and to the east of the known deposit with both directions remaining open (see press releases dated February 23, 2011, March 17, 2011, April 5, 2011 and May 4, 2011).

The results of the main drilling program at Thierry together with the extensions of the strike length to the west and east will form the basis of a recently commissioned updated 43-101 resource estimate for the Thierry project.

Cadillac also reported during the year that it had retained the services of AECOM, a global provider of professional technical and management support services to the mining industry, in connection with project development at the Thierry Mine site. AECOM will carry out a comprehensive program of water monitoring and structural assessments, with a view to commencing the dewatering process. AECOM is currently carrying out initial water testing procedures on the property and engaging the Ministry of the Environment in project updates. The Thierry Mine site is presently permitted for the dewatering program.

Outside of the Thierry mine area the eastern component of the property encompasses a project referred to as K1-1. The area which lies three kilometers east of the Thierry mine, was historically drill tested by UMEX who defined the mineralization in 1973 and 1981 based upon drilling at the time. UMEX identified an estimated 75,000,000 tonne resource containing 0.38% copper and 0.11% nickel which is not NI 43-101 compliant and historic in nature, cited in *"Technical Report and Updated Resource Estimate on the Thierry CU-NI-PGE Mine Property, Pickle Lake Area, Patricia Mining District, North-Western Ontario Canada"* by P & E Mining Consultants Inc. dated July 1, 2010 and filed by Cadillac on SEDAR (see press releases dated

May 5, 2011 and May 6, 2011) During February and March 2011 Cadillac completed three shallow drill holes on the K1-1 occurrence in order to test previous results and intersected wide zones of mineralization demonstrated by the UMAX drilling (see press releases dated May 5, 2011 and May 6, 2011). Subsequent to May 31, 2011 Cadillac reported the commencement of a 2,000 metre drill program on the shallow K1-1 deposit. The first hole of this new program has been completed with mineralization being encountered (see press releases dated June 2, 2011). Subsequent to May 31, 2011 Cadillac announced the results of the first four holes drilled with each of the holes intersecting widespread shallow mineralization(see press releases dated July 27, 2011).

Expenditure by Cadillac on the Thierry property for the year ended May 31, 2011 totalled \$ 3,624,445.

Pickle Gold

Pursuant to the Richview amalgamation, Cadillac also acquired the Pickle Gold property consisting of 21 mining claims in the Patricia Mining Division of Ontario.

In June 2010, Cadillac optioned the Pickle Gold claims to Newcastle Minerals Ltd. Under the terms of the option agreement Newcastle can earn an initial 60% interest in the 21 claims by the payment to Cadillac of \$ 30,000 and 1,000,000 shares of Newcastle, and the completion of \$ 250,000 in exploration work on the claims within 12 months of the date of the agreement. To earn the remaining 40% interest in the claims Newcastle must make payment to Cadillac of an additional \$ 85,000 and an additional 1,000,000 shares within 24 months of the date of the agreement, incur exploration expenses on the claims of an additional \$ 300,000 within 30 months, and issue to Cadillac an NSR of 2%. Newcastle can purchase from Cadillac 1% of the NSR for \$ 1,000,000 at any time prior to the date that is three years after the commencement of commercial production on the claims.

Expenditure on the Pickle Gold project during the year ended totalled \$ (136,738) credit. This expenditure credit was primarily as a result of the receipt of funds and common shares from Newcastle Minerals Ltd under the terms of their option agreement with Cadillac.

Other

In February 2011 Cadillac reported that it has entered into an agreement with Urion Mining International B.V., an indirect wholly-owned subsidiary of Trafigura Beheer B.V., whereby Cadillac will acquire an initial 30% indirect interest in an approximately 51,000 hectare mineral property located 100km north of Lima, Peru and referred to as the Lima Norte property. The Lima Norte property is located on the Pacific coast of Peru. Geologically it is situated in the volcano-sedimentary Casma Group along the Cretaceous Coastal Basin. The Property has been flown with airborne Mag and EM by Urion and a ground prospecting program over copper bearing volcanic outcrop on the property has been completed. Several airborne anomalies have been identified and high priority drill targets located. These will be the subject of the first program.

In consideration for their interest, Cadillac will pay \$ 310,000 to Urion, to be satisfied by the issuance of common shares of Cadillac. In addition, Cadillac will be responsible for the annual payments due in respect of the property, and will pay to Urion US \$ 127,000 on closing, representing the reimbursement for the first annual payment, payable either in cash or in shares

of Cadillac at Cadillac's option. Cadillac will have the option to acquire up to an additional 50% indirect interest in the Property by funding expenditures of at least \$ 2,250,000 on the Property over a three-year period. Upon acquisition of the interest, Cadillac will be appointed as manager of the Property with overall management responsibility for operations on the property.

Closing of this agreement is conditional upon satisfaction of customary closing conditions and deliveries, including receipt of applicable regulatory approvals including acceptance by the TSX Venture Exchange.

Cadillac also continued its review process on a number of potential exploration opportunities during the period.

1.5 Summary of Quarterly Results

	Fourth Quarter 31-May-11	Third Quarter 28-Feb-11	Second Quarter 30-Nov-10	First Quarter 31-Aug-10
Interest and other income	10,862	15,897	7,467	505
Income or Loss (Before Discontinued Operations and Extraordinary Items)	(545,148)	1,233,785	(665,190)	(879,810)
Income or Loss\per Share Basic	(0.00)	0.01	(0.01)	(0.01)
Income or Loss\per Share Diluted	(0.00)	0.01	(0.01)	(0.01)
Income or Loss (Total)	(545,148)	1,233,785	(665,190)	(879,810)
Income or Loss\per Share Basic	(0.00)	0.01	(0.01)	(0.01)
Income or Loss\per Share Diluted	(0.00)	0.01	(0.01)	(0.01)

	Fourth Quarter 31-May-10	Third Quarter 28-Feb-10	Second Quarter 30-Nov-09	First Quarter 31-Aug-09
Interest and other income	21,366	2,084	323	1,111
Income or Loss (Before Discontinued Operations and Extraordinary Items)	(597,862)	(990,616)	(669,060)	(641,363)
Income or Loss\per Share Basic	(0.00)	(0.02)	(0.02)	(0.02)
Income or Loss\per Share Diluted	(0.00)	(0.02)	(0.02)	(0.02)
Income or Loss (Total)	(597,862)	(990,616)	(669,060)	(641,363)
Income or Loss\per Share Basic	(0.00)	(0.02)	(0.02)	(0.02)
Income or Loss\per Share Diluted	(0.00)	(0.02)	(0.02)	(0.02)

The Net Loss for the quarter ended May 31, 2011 amounted to \$ 545,148 and comprised of stock based compensation of \$ 16,759, management and consulting fee of \$ 162,484,

shareholder relations costs of \$ 7,454, legal and audit fees of \$ 48,352, office and general expenses of \$ 68,231, travel expenses of \$ 58,004, accounting and corporate services of \$ 24,397, advertising, promotions and investor relations expenses of \$ 81,433, exploration evaluation expenses of \$ 73,541, amortization costs of \$ 12,855, and an unrealized loss on marketable securities \$ 2,500. Interest and other income for the fourth quarter amounted to \$ 10,862. With the exception of quarter ending February 28, 2011 when Cadillac reported a net income of \$ 1,233,785 after future income tax recovery of \$ 1,946,500 there has been a trend of quarterly losses in each of the other seven quarters. In general the expenditure and activity level of the Company has increased substantially during the periods which impacts on the operating costs of the Company and will continue to do so on an ongoing basis. This activity level is expected to further increase during the forthcoming quarters.

1.6 Liquidity

The Company, which is involved in exploration, has no source of revenue and does not anticipate receiving revenue in the foreseeable future. Cadillac reported a working capital of \$ 3,045,550 at May 31, 2011 compared with a working capital deficit of \$ 783,633 as at May 31, 2010. The Company had cash and short term investments of \$ 3,152,900 as at May 31, 2011 compared with cash and short term investments of \$ 166,705 as at May 31, 2010. Cadillac had a restricted cash balance of \$ 400,001 at May 31, 2011 compared with \$ 400,798 at May 31, 2010. The Company also held mineral property assets with a cost value of \$ 18,862,830 at May 31, 2011 compared with \$ 14,025,003 at May 31, 2010. The Company had fixed assets of \$ 213,878 at May 31, 2011 compared to \$ 279,463 at May 31, 2010

These are included in total asset of \$ 23,754,721 at May 31, 2011 compared to \$ 15,440,078 at May 31, 2010. The increased assets are a direct reflection of the recent financing activities undertaken by the Company together with the significant expenditure on work programs on the Matsa Joint Venture project and the Thierry mine project. Against this positive cash balance and asset base the Company has liabilities which total \$ 1,232,462 at May 31, 2011 compared to \$ 1,518,447 at May 31, 2010. These liabilities are comprised mainly of mineral property and other ongoing expenditure liabilities.

Cadillac's total funding from private placements during year ended May 31, 2011 amounted to \$ 11,861,600.

In June 2010 the Company completed a private placement financing in two tranches for aggregate gross proceeds of \$ 4,608,893 pursuant to which Cadillac issued 11,081,333 units and 8,684,000 flow-through units. Each unit was issued at \$0.22 and consisted of one common share and one-half of one warrant. Each flow-through unit was issued at \$0.25 and consisted of one "flow-through" common share and one-half of one warrant. The proceeds from the financing will principally be used for exploration expenditures in respect of Cadillac's work projects and for general working capital purposes. The financing constituted a related party transaction for Cadillac as Trafigura Beheer, B.V. an existing shareholder of the Company subscribed for 4,941,333 units representing approximately 25% of the private placement. In connection with the financing Cadillac incurred share issue costs of \$ 381,320 and issued an aggregate of 1,440,106 compensation options to registrants. Each compensation option entitles the holder to purchase one common share of Cadillac at a price of \$0.35 per share for one year.

In November and December 2010, the Company completed, in two tranches, a brokered private placement financing and a non brokered private placement financing for aggregate gross

proceeds of \$7,252,707. With regards to the brokered private placement Cadillac in total issued 17,546,875 flow-through units at a price of \$0.32 per flow-through unit of the private placement raising gross proceeds of \$ 5,615,000. The proceeds from the sale of these flow-through units will be used for exploration expenses on the Company's Ontario and New Brunswick properties - \$ 4,615,000 on the Cadillac's Ontario property and \$ 1,000,000 on its New Brunswick property. Each flow-through unit consists of one common share of the Company issued on a "flow-through" basis and one-half of one common share purchase warrant. In connection with the closing Cadillac incurred share issue costs of \$ 476,573 and issued an aggregate of 1,387,500 compensation options to registrants. Each compensation option entitles the holder to purchase one common share of Cadillac at a price of \$ 0.28 per share for a period of 18 months after closing.

With regards to the non-brokered private placement financing Orion Mining International B.V. an existing shareholder of the Company and an indirect wholly-owned subsidiary of Trafigura Beheer, B.V., subscribed in total for 5,848,955 units of the Company at a price of \$ 0.28 per unit for gross proceeds of \$ 1,637,707. Earlier in the year Trafigura had transferred its holdings in the Company to Orion Mining International B.V. Orion's subscription allowed it to maintain its approximate 25% equity interest in the Company, through the exercise of its pre-emptive right under a pre-existing agreement between the Company and Orion. Each unit consists of one common share of the Company and one-half of one warrant. Each whole warrant is exercisable for an additional common share of the Company at a price of \$ 0.40 for a period of 24 months following closing. The net proceeds from the sale of Units will be used for general working capital purposes. Following the placement Orion held 26,551,094 common shares of Cadillac (representing approximately 24.8% of Cadillac's then outstanding shares) and warrants to acquire 7,895,144 additional common shares, which, if exercised, would result in Orion holding approximately 29.9% of Cadillac's then outstanding common shares.

In the short term Cadillac intends to principally rely on private placement financing and the exercise of warrants to fund future expenditures. The Company will continue its efforts to raise funds for future developments and operations and to meet its ongoing obligations as they arise. There is however, no assurance that the Company will be successful in its efforts, in which case, the Company may not be able to meet its obligations. The consolidated financial statements have been prepared on a going concern basis as discussed in Note 1 of the February 28, 2011 consolidated financial statements.

Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the consolidated balance sheet.

1.7 Capital Resources

At May 31, 2011 the Company had the following capital requirements under existing arrangements.

- a) Accounts payable and accrued liabilities in the normal course of business.
- b) Pursuant to the terms of its flow-through share arrangements, Cadillac is in the process of complying with its flow-through contractual obligations with subscribers with respect to the Income Tax Act (Canada) requirements for flow-through shares. As of May 31, 2011 the Company is committed to incurring approximately \$ 4.1 million in Canadian Exploration Expenditures by December 31, 2011 arising from the flow-through offerings.

- c) The Company has contractual financial obligations which are summarized in Note 17 of Cadillac's May 31, 2011 consolidated financial statements.

1.8 Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

1.9 Transactions with Related Parties

During the year ended May 31, 2011, consulting fees of \$ 300,000, and a car allowance of \$ 18,000, were paid to a company controlled by the President/CEO of the Company (year ended May 31, 2010 - consulting fees \$ 300,000; car allowance \$ 18,000). For the year ended May 31, 2011 the President/CEO received a bonus of \$ 90,000 (year ended May 31, 2010 - \$ 90,000)

During the year ended May 31, 2011, management fees and bonus of \$ 120,000 and \$ 30,000 respectively (year ended May 31, 2010 - \$ 60,000 and \$ 15,000 respectively) were paid to the CFO of the Company. As at May 31, 2011, an amount of \$ 15,848 was owing to the CFO and was included in accounts payable and accrued liabilities (May 31, 2010 - \$ 18,658).

During the year ended May 31, 2011, consulting fees of \$ 23,095 (year ended May 31, 2010 - \$ 154,370) were paid to a company controlled by the former Senior Vice President, General Counsel and Corporate Secretary of the Company.

During the year ended May 31, 2011, management and consulting fees together with related expenses of \$ 36,526 (year ended May 31, 2010 - \$ 136,882) were charged by the Company to Orion Mining International B.V. a related party. As at May 31, 2011, an amount of \$ 5,687 was due from Orion and was included in accounts receivable and prepaids (May 31, 2010 - \$ 45,947).

Directors fees for the year ended May 31, 2011 were \$ 29,000 (year ended May 31, 2010 - \$ 29,000). As at May 31, 2011, an amount of \$ 10,500 was owing to the directors and was included in accounts payable and accrued liabilities (May 31, 2010 - \$ 14,000).

These transactions have been measured at the exchange amount agreed to by the related parties.

1.10 Fourth Quarter

Cadillac incurred a net loss of \$ 545,148 in the fourth quarter of 2011 which compares with a loss of \$ 597,862 for the corresponding period of 2010. The detailed make up of the loss is included in Section 1.5 Summary of Quarterly Results and Section 1.15 Other MD&A Requirements.

Stock based compensation costs for the three months ended May 31, 2011 amounted to \$ 16,759 compared to \$ 63,436 for the year ended May 31, 2010. This decrease of \$ 46,677 is mainly due to the increased number of outstanding stock options which were fully vested at the

beginning of the fourth quarter of fiscal year 2011 when compared to the beginning of the fourth quarter of 2010. Management and consulting fees amounted to \$ 162,484 for the quarter ended May 31, 2011 compared to \$ 264,796 for the corresponding period of 2010. This decrease was due to the reduced number of personnel providing management and consulting services to Cadillac during the fourth quarter of 2011. Management and consulting fees for the fourth quarter of 2010 included fees for former Richview Resources personnel. Shareholder relations totalled \$ 7,454 during the quarter compared to \$ 11,274 for the fourth quarter of 2010. Legal and audit costs for the fourth quarter totalled \$ 48,352 compared to \$ 48,536 for the corresponding period of 2010. Legal fees during both quarters were mainly incurred on ongoing general corporate matters. Office and general costs for the fourth quarter totalled \$ 68,231 compared to \$ 45,408 for the three months ended May 31, 2010. Office and general consist mainly of rent, payroll, website and IT costs together with insurance, telephone, website and computer costs, bank charges and various other office expenses. The increase is due to both an increased level of payroll related costs in the fourth quarter of 2011 together with a once off credit to office and general costs during the fourth quarter of 2010 which reduced office and general costs during that quarter. Travel costs for the quarter ended May 31, 2011 totalled \$ 58,004 compared to \$ 27,411 for the corresponding period of 2010. The lower level of travel costs during the fourth quarter of 2010 reflects recharges of travel costs which impacted on travel costs for that quarter. Accounting and corporate services totalled \$ 24,397 for quarter which compared to \$ 29,614 for the corresponding period of 2010. This decrease is due mainly to the lower level of accounting services required by Cadillac during the fourth quarter of 2011. Advertising and promotion costs and investor relations totalled \$ 81,433 for the fourth quarter compared to \$ 64,782 for the corresponding period of 2010. This increase was primarily due to both the increased level of investor relations activity undertaken by Cadillac during the fourth quarter of 2011. Exploration evaluation expenses for the quarter ended May 31, 2011 totalled \$ 73,541 compared to \$ 28,672 for the corresponding period of 2010. The reduced level of costs in 2010 reflects recharge of certain exploration evaluation costs which impacted on the fourth quarter of 2010. Amortization of fixed assets for the fourth quarter amounted to \$ 12,855 compared to \$ 27,799 for corresponding period of 2010. An unrealized loss on a marketable security for the quarter amounted to \$ 2,500 compared to \$ 7,500 for 2010. Interest and other income for the quarter totalled \$ 10,862 compared to \$ 21,366 for 2010. This has resulted in a net loss for the three months ended May 31, 2011 of \$ 545,148 compared to a net loss of \$ 597,862 for the corresponding period of 2010.

1.11 Proposed Transactions

In February 2011 Cadillac reported that it has entered into an agreement with Urion Mining International B.V., an indirect wholly-owned subsidiary of Trafigura Beheer B.V., whereby Cadillac will acquire an initial 30% indirect interest in an approximately 51,000 hectare mineral property located 100km north of Lima, Peru and referred to as the Lima Norte property.

In consideration for their interest, Cadillac will pay \$ 310,000 to Urion, to be satisfied by the issuance of common shares of Cadillac. In addition, Cadillac will be responsible for the annual payments due in respect of the property, and will pay to Urion US \$ 127,000 on closing, representing the reimbursement for the first annual payment, payable either in cash or in shares of Cadillac at Cadillac's option. Cadillac will have the option to acquire up to an additional 50% indirect interest in the Property by funding expenditures on the Property of at least \$ 2,250,000 over a three-year period. Closing of this agreement is conditional upon satisfaction of

customary closing conditions and deliveries including acceptance by the TSX Venture Exchange.

The Company continues to evaluate properties on an ongoing basis for investment or acquisition purposes.

1.12 Critical Accounting Estimates

The preparation of Cadillac's consolidated financial statements requires management to make certain estimates that affect the amounts reported in the financial statements. The accounting estimates considered significant are the valuation of the Company's mineral properties and stock based compensation. The policy of capitalizing expenditures on mineral properties does not necessarily relate to the future economic values of those properties. The valuation is dependent entirely upon the discovery of economic mineral deposits. The Company uses the Black-Scholes model to determine the fair value of stock options. The main factor affecting the estimates of stock-based compensation is the stock price volatility used. The Company uses historical price data and comparables in the estimate of future volatility.

Changes in the accounting estimates in the items discussed above will not have a material impact on the financial position of the Company.

Other items requiring estimates are accounts receivable and prepaid and accounts payable and accrued liabilities. Changes in the accounting estimates of these items will not have a material impact on the financial position of the Company.

1.13 Changes in Accounting Policies Including Initial Adoption

The future changes in accounting policies are summarized below.

Future accounting changes

International Financial Reporting Standards ["IFRS"]

In January 2006, the CICA's Accounting Standards Board ["AcSB"] formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of IFRS on its consolidated financial statements and this is discussed in more detail in Section 1.15 Other MD&A Requirements - IFRS Transition Plan.

1.14 Financial Instruments and Other Instruments

The Company's current financial instruments consist of cash and cash equivalents, short term investments, accounts receivable, accounts payable and accrued liabilities. The carrying values

approximate the fair values of these financial instruments due to the short-term maturity of these items.

1.15 Other MD&A Requirements

Additional Disclosure for Venture Issuers without Significant Revenue or Exploration

Capitalized Costs - Mineral Properties			
	Balance At 31-May-11	Balance At 31-May-10	Cumulative Since Inception of the Development Stage (April 28, 2006)
<u>New Alger Property</u>			
Acquisition cost	\$ 258,419	\$ 258,419	\$ 258,419
Assays	22,560	22,560	22,560
Claim maintenance	53,501	53,501	53,501
Drilling	826,026	826,026	826,026
IP Surveys	140,754	140,754	140,754
Geological	178,969	178,969	178,969
Consulting	17,216	17,216	17,216
Line Cutting	30,690	30,690	30,690
Transportation	9,497	9,497	9,497
Management fees	31,742	31,742	31,742
Travel and related costs	34,653	34,653	34,653
Other	(47,723)	32,301	(47,723)
	-----	-----	-----
Sub Total	1,556,304	1,636,328	1,556,304
Less Quebec refundable tax credits and mining duty refunds	(631,154)	(631,154)	(631,154)
	-----	-----	-----
Total New Alger Property	\$ 925,150	\$ 1,005,174	\$ 925,150
	=====	=====	=====

Capitalized Costs - Mineral Properties cont'd.			
	Balance At 31-May-11	Balance At 31-May-10	Cumulative Since Inception of the Development Stage (April 28, 2006)
<u>Burnt Hill Property</u>			
Acquisition cost	\$ 2,628,055	\$ 2,628,055	\$ 2,628,055
Administrative	5,180	0	5,180
Transportation and Fuel	6,510	0	6,510
Equipment Rental	1,231	0	1,231
Lab Analysis	73,291	68,452	73,291
Drilling	77,456	77,456	77,456
IP Surveys	22,484	22,484	22,484
Geological	125,012	60,426	125,012
Claim Management	67,935	64,010	67,935
License Agreement	3,500	0	3,500
Consulting	91,920	62,264	91,920
Management fees	31,734	26,905	31,734
Travel and related costs	23,008	15,127	23,008
Other	36,101	33,650	36,101
	-----	-----	-----
Total Burnt Hill Property	\$ 3,193,417	\$ 3,058,829	\$ 3,193,417
	=====	=====	=====

	Balance At 31-May-11	Balance At 31-May-10	Cumulative Since Inception of the Development Stage (April 28, 2006)
<u>MATSA J.V. Property</u>			
Administrative	\$ 23,021	\$ 0	\$ 23,021
Transportation and travel	81,007	30,676	81,007
Drilling	1,204,058	749,088	1,204,058
Ground Geophysics	195,072	147,486	195,072
Geology	440,607	183,499	440,607
Geological consulting	556,774	343,512	556,774
Lab analysis	66,433	443	66,433
Rent	126,919	74,002	126,919
Property taxes	102,818	70,570	102,818
Management fees	191,158	118,760	191,158
Other	56,857	31,132	56,857
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Total Matsa J.V. Property	\$ 3,044,724	\$ 1,749,168	\$ 3,044,724
	=====	=====	=====

Capitalized Costs - Mineral Properties cont'd.			
	Balance At 31-May-11	Balance At 31-May-10	Cumulative Since Inception of the Development Stage (April 28, 2006)
Thierry Mine Project, Ontario (i)			
Acquisition cost	\$ 7,259,868	\$ 7,259,868	\$ 7,259,868
Administration	12,472	0	12,472
Auto, fuel and transportation	123,514	0	123,514
Drilling	1,681,788	0	1,681,788
Drafting	29,615	0	29,615
Environmental studies	69,155	0	69,155
Lab Analysis	52,872	0	52,872
Planning	27,832	0	27,832
Property taxes	88,925	3,182	88,925
Geological	592,993	0	592,993
Geophysics	47,655	0	47,655
Line cutting	40,179	0	40,179
Claim management	34,827	32,850	34,827
Site maintenance	76,717	53,058	76,717
Consulting	228,522	54,500	228,522
Management fees	257,795	9,733	257,795
Travel and related costs	45,077	14,798	45,077
Accommodation and meals	168,511	0	168,511
Equipment rental	147,480	0	147,480
Storage	3,152	0	3,152
Other	88,485	25,000	88,485
	-----	-----	-----
Total Thierry Mine Project	\$ 11,077,434	\$ 7,452,989	\$ 11,077,434
	=====	=====	=====

Pickle Lake Project Ontario (i)	Balance At 31-May-11	Balance At 31-May-10	Cumulative Since Inception of the Development Stage (April 28, 2006)
Acquisition Cost	\$ 756,715	\$ 756,715	\$ 756,715
Assays	43	43	43
Consulting	3,262	0	3,262
Claim management	273	273	273
Management fees	169	169	169
Option Fee	(140,000)	0	(140,000)
Other	1,643	1,643	1,643
	-----	-----	-----
Total Pickle Lake Project	\$ 622,105	\$ 758,843	\$622,105
	=====	=====	=====
Total Capitalized Costs	\$18,862,830	\$14,025,003	\$18,862,830

(i) These properties were acquired as part of the acquisition and amalgamation of Richview. As such the figures under the cumulative column are only from the date of acquisition of these mineral properties on January 15, 2010.

Operations	Year Ended 31-May-11	Year Ended 31-May-10	Quarter Ended 31-May-11	Quarter Ended 31-May -10
Expenses				
Stock-option compensation	\$399,784	\$523,223	\$16,759	\$63,436
Management and consulting fees	841,773	966,105	162,484	264,796
Shareholder relations	141,562	136,972	7,454	11,274
Legal and audit	255,764	270,633	48,352	48,536
Office and general	243,624	252,758	68,231	45,408
Travel	174,107	171,495	58,004	27,411
Accounting and corporate services	115,522	63,500	24,397	29,614
Advertising, promotion and public relations	284,318	238,237	81,433	64,782
Flow-through interest charges	7,038	2,181	0	0
Exploration evaluation expenses	260,496	226,778	73,541	28,672
Amortization	51,417	64,403	12,855	27,799
	-----	-----	-----	-----
Net loss before the following	2,775,405	2,916,285	553,510	611,728
Unrealized loss on marketable security	30,000	7,500	2,500	7,500
Interest and other income	(34,731)	(24,884)	(10,862)	(21,366)
Loss on sale of fixed assets	32,189	0	0	0
	-----	-----	-----	-----
Net loss before income taxes	2,802,863	2,898,901	545,148	597,862
Less: future income tax recovery	1,946,500	0	0	0
	-----	-----	-----	-----
Net Loss and comprehensive loss	\$856,363	\$2,898,901	\$545,148	\$597,862
	=====	=====	=====	=====

Disclosure of Outstanding Share Data

At August 22, 2011 the Company had 107,175,441 common shares outstanding, 24,080,579 warrants to purchase common shares outstanding and 8,738,898 options outstanding.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

IFRS Transition Plan

The Accounting Standards Board (AcSB) has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, including the Company, effective for fiscal years beginning on or after January 1, 2011. As Cadillac's fiscal year end is May 31 the Company will report interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the quarter ended August 31, 2011. The Company's 2011 interim and annual financial statements will include comparative 2010 financial statements, adjusted to comply with IFRS.

The Company is proceeding with the development of a comprehensive IFRS transition plan to assist with the planning and implementation of its transition to IFRS. The Company has evaluated the key areas where changes to current accounting policies may be required including the application of IFRS 1 First-time adoption of International Financial Reporting Standards.

The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending August 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending August 31, 2011 will also include 2010 financial statements for the comparative period, adjusted to comply with IFRS, and the Company's transition date IFRS statement of financial position as at June 1, 2010.

Impact of Adopting IFRS on the Company's Business

As part of its analysis of potential changes to significant accounting policies, the Company has assessed what changes may be required to its accounting systems and business processes. The Company believes that the changes identified to date are minimal and the systems and processes can accommodate the necessary changes.

To date, the Company has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies.

The Company's staff and advisers involved in the preparation of financial statements have been appropriately trained on the relevant aspects of IFRS and the anticipated changes to accounting policies.

The Board of Directors and the Audit Committee have been regularly updated on the progress of the IFRS conversion plan, and are aware of the key aspects of IFRS affecting Cadillac.

First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS, effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has identified the following optional exemptions that it expects apply in its preparation of an opening IFRS statement of financial position as at June 1, 2010 the Company's "Transition Date":

- To apply IFRS 2 *Share-based Payments* only to equity instruments issued after November 7, 2002, and that had not vested by the transition date.
- To apply IFRS 3 *Business Combinations* prospectively from the transition date, therefore not restating business combinations that took place prior to the transition date.
- To apply the transition provisions of IFRIC 4, *Determining whether an Arrangement Contains a Lease*, therefore determining if arrangements existing at the transition date contain a lease based on the circumstances existing at that date.
- To apply IAS 21, *The Effects of Changes in Foreign Exchange Rates*, prospectively from the transition date. The Company can elect to reset all cumulative transaction gains and losses to zero in the opening deficit at its transition date.
- To apply IAS 23 *Borrowing Costs* prospectively from the transition date. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.

Prior to reporting interim financial statements in accordance with IFRS for the quarter ending August 31, 2011, the Company may decide to apply other optional exemptions contained in IFRS 1.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the transition date will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

Impact of Adopting IFRS on the Company's Financial Statements

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.

The following provides a summary of the Company's evaluation to date of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas Cadillac has identified as having the most potential for a significant change.

The International Accounting Standards Board has a number of ongoing projects, the outcome of which may affect the changes required to the Company's accounting policies on adoption of IFRS. At the present time however, the Company is not aware of any significant expected changes prior to its adoption of IFRS that would affect the summary provided below.

1. Exploration and Evaluation Expenditures

IFRS currently allows an entity to retain its existing accounting policies related to the exploration for and evaluation of mineral properties, subject to some restrictions.

With regards to Mineral Properties which the Company has title to Cadillac is presently reviewing the option of retaining its current policy of deferring exploration and evaluation expenditures until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. In the event of retaining the current policy and with the exception of the Matsa Joint Venture in Spain, the Company does not expect that the adoption of IFRS will result in any significant change to the related line items within its financial statements.

With regards to the Matsa Joint Venture property in which Cadillac holds an initial 1% in the properties and can increase this interest to 90% by incurring \$3 million of expenditures on the properties on or before September 30, 2011 the adoption of IFRS will have a significant impact on the Company's financial statements. Where the Company does not yet have title to the property, adoption of IFRS requires the carrying value of the property to be reduced to zero (as at the transition date), with a corresponding adjustment to accumulated deficit. All subsequent expenditure and evaluation costs on the Matsa Joint Venture property will be expensed until such time as Cadillac acquires an interest of 90%. Subsequent expenditure on the property will follow the IFRS policy adopted for the Company's other Mineral Properties.

2. Impairment of (Non-financial) Assets

IFRS, like Canadian GAAP, requires an assessment at each reporting date as to whether there are indicators of impairment of property, plant and equipment and deferred development and exploration costs. The factors considered under IFRS are quite similar to Canadian GAAP, but there are some differences.

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment will be changed to reflect these differences, however the Company does not expect this change will have an impact to the carrying value of its assets. Cadillac will perform impairment assessments as at the transition date in accordance with IFRS.

3. Foreign Currency

IFRS requires that the functional currency of Cadillac and its subsidiaries be determined separately and the factors considered to determine functional currency are somewhat different than current Canadian GAAP. IFRS requires that the functional currency of Cadillac and its subsidiaries be determined separately in accordance with indicators as per IAS 21 – and should be measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). Cadillac's group functional currency is the Canadian dollar except for Cadillac Spain SRU which, under IFRS, will be deemed to have the Euro as its functional currency. The Company does not expect this change to its accounting policy related to foreign currency will result in a significant change to line items within its financial statements at the transition date.

4. Share-based Payments

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than current Canadian GAAP.

Cadillac does not expect any changes to its accounting policies related to share-based payments that would result in a significant change to line items within its financial statements.

5. Asset Retirement Obligations (Decommissioning Liabilities)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities will be changed to reflect these differences, however Cadillac does not expect this change will have an immediate impact to the carrying value of its assets.

6. Property and Equipment

IFRS contains different guidance related to recognition and measurement of property and equipment than current Canadian GAAP.

Cadillac does not expect any changes to its accounting policies related to property and equipment that would result in a significant change to line items within its financial statements.

7. Flow – Through Shares

The Company, to date, has financed a portion of its exploration activities through the issue of flow-through shares which transfer the tax deductibility of the exploration expenditures to the investor. Under Canadian GAAP proceeds received from the issue of these shares have been credited to share capital and the related exploration costs have been charged to mineral properties. When the renunciation is made, the tax impact of the renunciation is recorded as a future income tax liability and charged against share capital. When the Company has sufficient tax loss carry-forwards or other temporary deductible differences a future income tax asset is recognised and an income tax recovery is recorded in the consolidated statements of loss and comprehensive loss. However under IFRS there is not the same level of specific guidance as provided under current Canadian GAAP. For this reason Cadillac is currently reviewing accounting policy options that will satisfy the requirements of IFRS. However the policy that will be adopted by Cadillac will impact on the Company's financial statements.

8. Income Taxes

In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes.

Other than the accounting policy for flow-through shares under IFRS and its impact on recognition and measurement of future (deferred) income taxes referred to in Number 7 above the Company does not expect any changes to its accounting policies related to income taxes that would result in a significant change to line items within its consolidated financial statements.

RISKS AND UNCERTAINTIES

Current Global Financial and Economic Conditions

Current global financial and economic conditions have been characterized by extreme volatility. Several financial institutions and other major businesses have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to financing has been negatively impacted by many factors as a result of the global financial crisis. This may impact the Company's ability to obtain funding in the future and on favourable terms. Additionally, global economic conditions may cause decreases in asset values that are deemed to be other than temporary. If such volatility and market turmoil continue, the Company's business and financial condition could be adversely impacted.

Additional Funding Requirements

The Company is in the process of expanding its activities both within and outside Canada and because the Company is in the business of mineral exploration and at present does not derive any income from any of its mineral assets, the Company will be reliant upon additional equity financing in order to continue and expand its business and operations. There is no guarantee that future sources of funding will be available to the Company as and when required in the current volatile markets. If the Company is not able to raise additional equity funding in the future the Company will be unable to carry out its business going forward.

Commodity Price Volatility

The prices of the various commodities for which the Company is exploring are beyond the Company's control, can fluctuate drastically and could adversely affect the Company. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even though commercial quantities of valuable minerals may be discovered in the future, a profitable market will exist for them. As of May 31, 2011, the Company was not a producer of valuable minerals. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may affect the Company's liquidity and its ability to meet its ongoing obligations.

Currency Fluctuations

Currency fluctuations may affect the Company's future operations, financial position and results. The Company's financial results are reported and funds are held primarily in Canadian dollars and to date costs have been mainly incurred in Canadian dollars. However with the Company's expanding international activities the Company will have increased exposure to fluctuations in the Canadian dollar against foreign currencies and in particular against the Euro, in connection with the Company's exploration expenditures on projects in Spain with plans to become active elsewhere outside Canada in the near future.

Title to Mineral Properties

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed or impugned. Although the Company has investigated its title to the mineral properties for which it holds concessions or mineral leases or licenses, there can be no assurance that the Company has valid title to such mineral properties or that its title thereto will not be challenged or impugned. For example, mineral properties

sometimes contain claims or transfer histories that examiners cannot verify, and transfers under foreign law often are complex. The Company does not carry title insurance with respect to its mineral properties. A successful claim that the Company does not have title to a mineral property could cause the Company to lose its rights to mine that property, perhaps without compensation for its prior expenditures relating to the property.

Mineral Exploration

Mineral exploration involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in mineral exploration, and exploitation activities. The Company has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. Substantial expenditures are required to establish mineral reserves and resources through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of some properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining, or to upgrade existing infrastructure. There can be no assurance that the funds required to exploit any mineral reserves and resources discovered by the Company will be obtained on a timely basis or at all. The economics of exploiting mineral reserves and resources discovered by the Company are affected by many factors, many of which are outside the control of the Company, including the cost of operations, variations in the grade of ore mined and metals recovered, price fluctuations in the metal markets, costs of processing equipment, and other factors such as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. There can be no assurance that the Company's mineral exploration and exploitation activities will be successful.

Country Risk

The Company could be at risk regarding any political developments in the country in which it operates. At present the Company is active in Canada and Spain with plans to become active elsewhere outside Canada in the near future. The Company's mineral exploration may be adversely affected by political instability and legal and economic uncertainty in the countries where the Corporation operates or has plans to operate. These risks may include: political unrest; labour disputes; invalidation of governmental orders and permits; corruption; war; civil disturbances; terrorist activities; arbitrary changes in laws; regulations; policies; taxation; price controls; exchange controls; delays in obtaining or the inability to obtain necessary permits; opposition to mining from environmental or other non-governmental organizations; limitations on foreign ownership; limitations on the repatriation of earnings; limitations on mineral exports; and increased financing costs. These risks may limit or disrupt the Company's projects, restrict the movement of funds or result in the deprivation of contractual rights.

Uninsurable Risks

Mineral exploration activities involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could negatively affect the Company's profitability and financial position and the value of the common

shares of the Company. The Company does not maintain insurance against environmental risks.

Environmental Regulation and Liability

The Company's activities are subject to laws and regulations controlling not only mineral exploration and exploitation activities themselves but also the possible effects of such activities upon the environment. Environmental legislation may change and make the mining and processing of ore uneconomic or result in significant environmental or reclamation costs. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mineral exploitation activities, such as seepage from tailings disposal areas that could result in environmental pollution. A breach of environmental legislation may result in the imposition of fines and penalties or the suspension or closure of operations. In addition, certain types of operations require the submission of environmental impact statements and approval thereof by government authorities.

Environmental legislation is evolving in a manner which may mean stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors, officers, and employees. Permits from a variety of regulatory authorities are required for many aspects of mineral exploitation activities, including closure and reclamation. Future environmental legislation could cause additional expense, capital expenditures, restrictions, liabilities and delays in the development of the Company's properties, the extent of which cannot be predicted. In the context of environmental permits, including the approval of closure and reclamation plans, the Company must comply with standards and laws and regulations which may entail costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. The Company does not maintain environmental liability insurance.

Regulations and Permits

The Company's activities are subject to a wide variety of laws and regulations governing health and worker safety, employment standards, waste disposal, protection of the environment, protection of historic and archaeological sites, mine development and protection of endangered and protected species and other matters. The Company is required to have a wide variety of permits from governmental and regulatory authorities to carry out its activities. These permits relate to virtually every aspect of the Company's exploration and exploitation activities. Changes in these laws and regulations or changes in their enforcement or interpretation could result in changes in legal requirements or in the terms of the Company's permits that could have a significant adverse impact on the Company's existing or future operations or projects. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the Company will be able to obtain the necessary permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities.

Dependence on Key Employees

The Company's business is dependent on retaining the services of a small number of key employees. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these employees. The loss of one or more of these employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.

Share Price Fluctuations

In recent years, and particularly with the current global financial conditions, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly development stage companies, have experienced wide fluctuations in price that have not necessarily been related to the underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

Potential Dilution

The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional option and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.