

# **CADAN RESOURCES CORPORATION**

**Consolidated Financial Statements  
March 31, 2010 and 2009**

<b><u>Index</u></b>	<b><u>Page</u></b>
<b>Unaudited Consolidated Financial Statements</b>	
Consolidated Balance Sheets	2
Consolidated Statements of Operations and Deficit	3
Consolidated Statements of Shareholders' Equity	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 12

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying Unaudited Interim Consolidated Financial Statements for the three months ended March 31, 2010 and 2009, have been prepared by management and have not been the subject of a review by the Company's independent auditor.

Vancouver, B.C.  
May 31, 2010

**CADAN RESOURCES CORPORATION**  
**Unaudited Interim Consolidated Balance Sheets (note 2)**

	<b>March 31, 2010 (Unaudited)</b>	<b>December 31, 2009 (Audited)</b>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 2,746,103	\$ 906,796
Amounts and advances receivable	7,074	20,552
Prepaid expenses	28,146	29,635
	2,781,323	956,983
<b>Investment in and Expenditures on Resource Properties (note 3)</b>	19,390,853	18,072,675
<b>Property, Plant and Equipment</b>	1,419,287	1,073,225
	\$ 23,591,463	\$ 20,102,883
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 151,297	\$ 244,309
Due to related parties (note 5)	200,495	183,495
	351,792	427,804
<b>Non-Controlling Interest</b>	40,741	50,083
<b>Shareholders' Equity</b>		
<b>Share Capital (note 4)</b>	36,683,514	32,543,276
<b>Share Subscriptions</b>	-	467,500
<b>Contributed Surplus</b>	7,796,404	7,010,080
<b>Deficit</b>	(21,280,988)	(20,395,860)
	23,198,930	19,624,996
	\$ 23,591,463	\$ 20,102,883

Approved by the Board:

*"Brett Taylor"*  
..... Director  
Brett Taylor

*"Doug Evans"*  
..... Director  
Doug Evans

**CADAN RESOURCES CORPORATION**  
**Unaudited Interim Consolidated Statements of Operations and Deficit**  
**Three Months Ended March 31, 2010 and 2009**

	Three months ended March 31, 2010	Three months ended March 31, 2009
<b>Expenses</b>		
Stock-based compensation	\$ 122,480	\$ -
Consulting fees	109,900	87,500
Regulatory and shareholder costs	53,358	11,130
Legal and professional	50,190	15,182
Office and miscellaneous	43,767	13,256
Travel and accommodation	26,712	6,185
Web site	5,000	-
Rent	2,797	10,500
Foreign exchange loss/(gains)	3,427	29,698
Bank charges and interest	3,473	1,001
Depreciation and amortization	190	1,962
<b>Loss Before Other Items</b>	421,294	176,414
<b>Other Items</b>		
Interest income	(161)	(515)
<b>Loss Before Non-Controlling Interest</b>	421,133	175,899
<b>Non-Controlling Interest</b>	(9,342)	(7,302)
<b>Net Loss and Comprehensive Loss for Period</b>	411,791	168,597
<b>Loss Per Share – basic and diluted</b>	(\$0.01)	(\$0.01)
<b>Weighted Average Number of Common Shares</b>		
<b>Outstanding</b>	36,872,983	25,546,920



**CADAN RESOURCES CORPORATION**  
**Consolidated Statements of Shareholders' Equity**

	Number of Shares Issued	Share Capital	Share Subscriptions Received	Contributed Surplus	Deficit	Shareholders' Equity
<b>Balance at December 31, 2008</b>	25,546,920	\$28,584,195	\$ -	\$4,314,298	\$(17,288,337)	\$15,610,156
Fair value of repriced warrants	-	-	-	1,609,000	(1,609,000)	-
Stock-based compensation repriced options	-	-	-	361,732	-	361,732
Stock-based compensation grant of options	-	-	-	445,120	-	445,120
Common shares issued for cash (\$0.30 per share)	3,127,196	938,159	-	-	-	938,159
Common shares issued for cash (\$0.50 per share)	5,000,000	2,500,000	-	-	-	2,500,000
Common shares issued for cash (\$1.00 per share)	1,000,000	1,000,000	-	-	-	1,000,000
Common shares issued to finders	75,937	60,750	-	-	-	60,750
Share issue costs	-	(539,828)	-	279,930	-	(259,898)
Subscriptions received for private placement	-	-	467,500	-	-	467,500
Net loss for year	-	-	-	-	(1,498,523)	(1,498,523)
<b>Balance at December 31, 2009</b>	34,750,053	32,543,276	467,500	7,010,080	(20,395,860)	19,624,996
Common shares issued for cash, warrants exercised (\$0.75 per share) (note 4(b) & (d))	50,000	37,500	-	-	-	37,500
Common shares issued for cash (\$0.85 per share) (note 4(b))	5,144,523	4,372,845	(467,500)	-	-	3,905,345
Common shares issued to finders	123,080	116,926	-	-	-	116,926
Share issue costs	-	(403,033)	-	190,507	-	(212,526)
Common shares issued for cash, warrants exercised (\$0.80 per share) (note 4(b) & (d))	20,000	16,000	-	-	-	16,000
Fair value of repriced warrants (note 6(c))	-	-	-	473,337	(473,337)	-
Stock-based compensation grant of options	-	-	-	122,480	-	122,480
Net loss for year	-	-	-	-	(411,791)	(411,791)
<b>Balance at March 31, 2010</b>	40,087,656	\$36,683,514	\$ -	\$7,796,404	\$(21,280,988)	\$23,198,930

**CADAN RESOURCES CORPORATION**  
**Unaudited Interim Consolidated Statements of Cash Flows**  
**Three Months Ended March 31, 2010 and 2009**

	<b>Three months ended March 31, 2010</b>	<b>Three months ended March 31, 2009</b>
<b>Operating Activities</b>		
Net loss	\$ (411,791)	\$ (168,597)
Items not involving cash		
Stock-based compensation	122,480	-
Depreciation and amortization	190	1,962
Unrealized gain on foreign exchange	-	4,068
Non-controlling interest in subsidiaries	(9,342)	(7,302)
	(298,463)	(169,869)
Changes in non-cash working capital		
Amounts receivable and advances	24,380	15,999
Prepaid expenses	1,489	49,194
Accounts payable and accrued liabilities	17,988	85,670
	43,857	150,863
<b>Cash Used in Operating Activities</b>	<b>(254,606)</b>	<b>(19,006)</b>
<b>Investing Activities</b>		
Deferred exploration costs (note 3)	(1,403,158)	(540,885)
Purchase of capital assets	(366,174)	(39,661)
<b>Cash Used in Investing Activities</b>	<b>(1,769,332)</b>	<b>(580,546)</b>
<b>Financing Activities</b>		
Proceeds from issuance of common shares	3,958,845	-
Share subscriptions received	-	327,000
Share issuance costs paid	(95,600)	-
<b>Cash Provided by Financing Activities</b>	<b>3,863,245</b>	<b>327,000</b>
<b>Foreign Exchange Effect on Cash</b>	<b>-</b>	<b>(4,068)</b>
<b>Inflow (Outflow) of Cash</b>	<b>1,839,307</b>	<b>(276,620)</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>906,796</b>	<b>743,203</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 2,746,103</b>	<b>\$ 466,583</b>

**CADAN RESOURCES CORPORATION**  
**Notes to Consolidated Financial Statements**  
**Three Months Ended March 31, 2010 and 2009**

---

**1. GOING-CONCERN AND NATURE OF OPERATIONS**

Cadan Resources Corporation (the "Company") is incorporated under the laws of British Columbia. The Company is an exploration stage company and its principal business activity is natural resource exploration, focusing on resources located in the Philippines.

On November 10, 2009, the Company consolidated its issued and outstanding common shares on a 5 old for 1 new basis. Trading of the consolidated shares of the Company commenced on November 10, 2009, under the new symbol "CXD".

These consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will continue to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not give effect to any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

For the three months ended March 31, 2010, the Company incurred a net loss of \$411,791 (March 31, 2009 - \$168,597) and had a deficit of \$21,280,988 (December 31, 2009 - \$20,395,860). The Company's ability to continue in operation is dependent on its ability to secure additional financing to fund ongoing administrative and planned exploration expenditures, and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

Mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue and has significant cash requirements to conduct its planned exploration, meet its administrative overhead and maintain its resource interests.

The recoverability of the Company's investment in, and expenditures on, resource properties is dependent on several factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of resource interests.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

The accompanying financial information does not include all disclosures required under Generally Accepted Accounting Principles for annual financial statements. The accompanying financial information reflects all adjustments, consisting primarily of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of results for the interim periods. These consolidated financial statements should be read in conjunction with our 2009 audited financial statements and notes.

These interim consolidated financial statements follow the same accounting policies and methods of their applications as our annual financial statements. These interim consolidated financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles and include the accounts of our wholly-owned subsidiaries, Exploradora La Esperanza S.A. (a Colombian company), and Sabena Limited (an Australian company) and the accounts of partially-owned affiliates, Philco Mining Corporation ("PMC"), Batoto Resources Corporation ("BRC"), TMC Tribal Mining

**CADAN RESOURCES CORPORATION**  
**Notes to Consolidated Financial Statements**  
**Three Months Ended March 31, 2010 and 2009**

---

Corporation (“TMC”) and Sunbird Philippines Holding Inc, referred throughout the financial statements as “the Philippine companies”. The Company owns 40 percent of each of the Philippine companies and these companies have been consolidated in accordance with Accounting Guideline 15 (“AcG-15”) as they meet the criteria of variable interest entities. All significant intercompany balances and transactions have been eliminated.

**International Financial Reporting Standards (IFRS)**

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Corporation’s reporting no later than in the first quarter of 2011 with restatement of comparative information presented. The Company is currently evaluating the future impact of IFRS on its financial systems and reporting and will continue to invest in training and additional resources to ensure a timely conversion.



**CADAN RESOURCES CORPORATION**  
**Notes to Consolidated Financial Statements**  
**Three Months Ended March 31, 2010 and 2009**

**3. INVESTMENTS IN AND EXPENDITURES ON RESOURCE PROPERTIES**

Through its subsidiaries and the Philippine companies, the Company has interests in certain permits and licenses to explore and develop mineral properties located in the Philippines described below. The following table summarizes the Company's investment in and expenditures on the three major Philippine projects Panag, Suriganon and Tagpura, Batoto, and T'Boli.

	Panag, Suriganon and Tagpura			Batoto	T'Boli	2010 Total		
Acquisition costs	\$	1,037,981	\$	1,038,101	\$	1,041,061	\$	3,117,143
Deferred exploration costs								
Balance, beginning of year		7,208,912		4,404,246		3,342,374		14,955,532
Incurring during period								
Assaying		-		-		212		212
Community development		24,026		16,329		36,777		77,132
Consultants		80,750		8,852		121,436		211,038
Depreciation and amortization		7,855		2,720		9,347		19,922
Drilling costs		6,563		-		-		6,563
Exploration and mineral processing		309,247		92,154		87,746		489,147
Field supplies and miscellaneous		82,236		89,045		216,981		388,262
Taxes, licenses and fees		2,498		2,567		6,868		11,933
Geological		36,205		-		-		36,205
Transportation and travel		20,636		13,070		44,058		77,764
Deferred exploration costs								
Total for period		570,016		224,737		523,425		1,318,178
Deferred exploration costs								
Balance, end of period		7,778,928		4,628,983		3,865,799		16,273,710
Balance, March 31, 2009	\$	8,816,909	\$	5,667,084	\$	4,906,860	\$	19,390,853

**CADAN RESOURCES CORPORATION**  
**Notes to Consolidated Financial Statements**  
**Three Months Ended March 31, 2010 and 2009**

---

- (a) Panag, Suriganon, and Tagpura are located in the Municipality of New Bataan, Compostela Valley Province, Philippines. Cadan's area lies partly in New Bataan but mostly in the Municipality of Nabunturan, Compostela Valley Province.
- (b) Batoto, Barangay Camanlangan, is located in the Municipality of New Bataan, Compostela Valley Province, Philippines

There are no royalties payable to the government of the Philippines as the properties are located in an indigenous area. The indigenous peoples will, upon commercial production, be given a royalty equivalent to 1% of the operating cost of any operation. There are no annual work commitments.

- (c) T'Boli, Barangay Kematu, is located in the Municipality of T'Boli, South Cotabato Province, Philippines

There is a 2% mineral royalty payable to the government of the Philippines in respect of any future mineral production.

**4. SHARE CAPITAL**

- (a) Authorized  
Unlimited common shares without par value
- (b) Issued  
Issued 40,087,656

On February 24, 2010, the Company completed a non-brokered private placement consisting of 5,144,523 units priced at \$0.85 per Unit, for gross proceeds of \$4,372,845. Each Unit is comprised of one common share of the Company and one common share purchase warrant. Each whole Warrant is exercisable to acquire one common share of the Company at a price of \$1.25 until July 24, 2011. The Company paid finders' fees of \$190,592 representing 5% of gross proceeds from finders in connection with the financing. In addition, finders were issued non-transferable finders' warrants with a fair value of \$190,507 entitling the holders to purchase up to 448,453 common shares, at a price of \$0.95 per share until July 24, 2011. Other cash share issuance costs in the amount of \$21,934 were incurred by the Company related to this placement. The fair value of warrants issued to finders has been estimated using the Black-Scholes option pricing model with the following assumptions: risk-free rate of 0.28%; volatility of 98.6%; expected life of eighteen months; and dividend yield of nil.

During the quarter, warrant holders exercised warrants and purchased 50,000 common shares at \$0.75 per share for gross proceeds of \$37,500 and 20,000 common shares at \$0.80 per share for gross proceeds of \$16,000.

**CADAN RESOURCES CORPORATION**  
**Notes to Consolidated Financial Statements**  
**Three Months Ended March 31, 2010 and 2009**

---

(c) Stock options

The Company has a stock option plan whereby the Board of Directors is authorized to grant options to a rolling ceiling of 10% of the issued and outstanding common shares of the Company.

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of the grant. The terms of the option and the option price are fixed by the directors at the time of grant subject to price restrictions imposed by the TSX Venture Exchange. Stock options awarded have a maximum term of ten years.

During the three months ended March 31, 2010, and the year ended December 31, 2009, options granted were accounted for using the Black-Scholes option pricing model.

As at March 31, 2010, and December 31, 2009, the following incentive stock options were outstanding and exercisable:

Expiry Date	Exercise Price	March 31, 2010	December 31, 2009
September 30, 2014	\$ 0.50	292,500	292,500
July 20, 2014	\$ 0.50	1,040,000	1,040,000
March 1, 2015	\$ 0.95	150,000	-
August 17, 2015	\$ 0.50	156,000	156,000
July 12, 2016	\$ 0.50	64,000	64,000
July 24, 2017	\$ 0.50	360,000	360,000
November 6, 2017	\$ 0.50	1,174,500	1,174,500
April 15, 2018	\$ 0.50	100,000	100,000
		3,337,000	3,187,000

**CADAN RESOURCES CORPORATION**  
**Notes to Consolidated Financial Statements**  
**Three Months Ended March 31, 2010 and 2009**

Stock option transactions and the number of stock options outstanding and exercisable are summarized as follows:

	March 31, 2010		December 31, 2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, beginning of period	3,187,000	\$ 0.50	2,287,000	\$ 0.80
Awarded	150,000	\$ 0.95	1,040,000	\$ 0.50
Cancelled	-	-	-	-
Exercised	-	-	-	-
Repriced	-	-	(2,147,000)	\$ 0.81
Repriced	-	-	2,147,000	\$ 0.50
Forfeited/expired	-	-	(140,000)	\$ 0.82
Outstanding and exercisable, end of period	3,337,000	\$ 0.52	3,187,000	\$ 0.50

On March 1, 2010, the Company granted 150,000 incentive stock options to a consultant of the Company. The exercise price of the options is \$0.95 each and they are exercisable until March 1, 2015. The fair value of stock options granted was \$122,480 (\$0.82 each) as estimated at the date of grant using the Black-Scholes option pricing model.

Stock options held by officers, directors and employees of the Company expire one year following their departure from the Company.

(d) Warrants

As at March 31, 2010, and December 31, 2009, the following share purchase warrants were outstanding and exercisable:

Expiry Date	Exercise Price	March 31, 2010	December 31, 2009
August 10, 2010	\$ 0.50	491,660	491,660
October 13, 2010	\$ 1.00	100,000	100,000
August 10, 2011	\$ 0.75	2,480,000	2,500,000
August 13, 2011 *	\$ 1.25	1,000,000	500,000
August 24, 2011	\$ 1.25	5,144,523	-
August 24, 2011	\$ 1.25	448,453	-
October 31, 2012	\$ 0.80	6,579,995	6,599,995
August 18, 2013	\$ 1.50	2,000,000	2,000,000
		18,244,631	12,191,655

**CADAN RESOURCES CORPORATION**  
**Notes to Consolidated Financial Statements**  
**Three Months Ended March 31, 2010 and 2009**

Share purchase warrant transactions and the number of share purchase warrants outstanding and exercisable are summarized as follows:

	<b>March 31, 2010</b>		<b>December 31, 2009</b>	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	12,191,655	\$ 0.91	9,259,995	\$ 1.62
Issued	5,592,976	\$ 1.23	3,591,660	\$ 0.83
Exercised	(40,000)	\$0.78	-	-
Expired	-	-	(660,000)	\$ 2.50
Modified	(500,000)	\$1.50	(8,600,000)	\$ 1.50
Modified	1,000,000	\$1.25	8,600,000	\$ 0.96
Outstanding, end of period	18,244,631	\$ 1.01	12,191,655	\$ 0.91

On March 17, 2010, the Company amended the terms of warrants issued on October 13, 2009, increasing them to full warrants to acquire 1,000,000 common shares, reduced the exercise price from \$1.50 to \$1.25 per share and extended the expiry date by one year to August 13, 2011.

**5. RELATED PARTY TRANSACTIONS**

During the quarter, the Company incurred consulting fees totaling \$79,500 (2009 - \$123,500), which include consulting fees capitalized as part of deferred exploration costs from individuals who are officers and/or directors and/or shareholders of the Company or an affiliated company in the Philippines. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

At March 31, 2010, the Company owed \$200,495 (December 31, 2009 - \$183,495) to the individuals. Amounts due to related parties are non-interest bearing, unsecured and without specific terms of repayment. Amounts are expected to be repaid within one year.