

**CASCADERO COPPER CORPORATION**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**MAY 31, 2012 and 2011**  
**(Unaudited – Prepared by Management)**

**Index**

Page

**FINANCIAL STATEMENTS**

Consolidated Statements of Financial Position	1
Consolidated Statements of Loss and Comprehensive Loss	2
Consolidated Statements of Changes in Shareholders' Equity	3
Consolidated Statements of Cash Flows	4
Notes to the Consolidated Financial Statements	5 - 37

**NOTICE – NO Auditor Review of the Interim Financial Statements.**

The accompanying unaudited condensed interim financial statements of Cascadero Copper Corporation (the "Company"), for the three months ended May 31, 2012, have been prepared by management and have not been the subject of a review by the Company's external independent auditor.

**CASCADERO COPPER CORPORATION**  
**Condensed Consolidated Interim Statements of Financial Position**  
**May 31, 2012**  
(Unaudited – Prepared by Management)

	May 31, 2012	November 30, 2011	December 01, 2010
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	399,405	272,291	181,339
GST/HST receivable	49,778	138,335	31,675
Advances receivable from equity affiliates	1,195,694	530,427	665,066
Prepaid expenses	78,541	18,157	-
	<u>1,723,418</u>	<u>959,210</u>	<u>878,080</u>
<b>Long –term Investment</b>	<b>1</b>	<b>1</b>	<b>45,894</b>
<b>Mineral properties</b>	<b>10,718,870</b>	<b>10,440,357</b>	<b>9,709,594</b>
<b>Equipment</b>	<b>5,336</b>	<b>6,830</b>	<b>9,067</b>
	<u>12,447,625</u>	<u>11,406,398</u>	<u>10,642,635</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
<b>Current</b>			
Account payable	146,810	88,611	18,297
Accrued liabilities	419,063	317,501	290,001
Due to related parties	100,669	230,977	257,340
	<u>666,542</u>	<u>637,089</u>	<u>565,638</u>
Flow-through share premium liability	124,153	116,953	-
	<u>790,695</u>	<u>754,042</u>	<u>565,638</u>
<b>Shareholders' equity</b>			
Share capital	16,541,638	15,004,620	14,123,434
Share subscriptions	-	224,460	-
Treasury shares	(465,464)	(465,463)	(625,543)
Contributed surplus	3,619,034	3,419,178	3,046,323
Deficit	(8,038,278)	(7,530,439)	(6,467,217)
	<u>11,656,930</u>	<u>10,652,356</u>	<u>10,076,997</u>
	<u>12,447,625</u>	<u>11,406,398</u>	<u>10,642,635</u>

**Nature and continuance of operations**

**Commitments**

**Subsequent events**

Approved by the Board:

***“William McWilliam”***

Director

***“John Haag”***

Director

The accompanying notes are an integral part of these financial statements.

**CASCADERO COPPER CORPORATION**  
**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**  
**May 31, 2012**  
**(Unaudited – Prepared by Management)**

	<b>3 Months Ended May 31, 2012 \$</b>	<b>6 Months Ended May 31, 2012 \$</b>	<b>3 Months Ended May 31, 2011 \$</b>	<b>6 Months Ended May 31 2011 \$</b>
<b>REVENUE</b>				
Unrealized gain(loss) on treasury shares	-	-	-	-
Interest income	9	9	-	467
	9	9	-	467
<b>EXPENSES</b>				
Accounting, audit and legal fees	6,375	11,625	8,175	11,925
Advertising and promotion	5,400	51,396	15,684	17,184
Amortization	747	1,494	994	1,987
Bank and interest charges	1,588	5,522	3,217	5,837
Filing, sustaining and finder's fees	24,685	32,332	18,779	24,289
Management fee	40,000	80,000	40,000	80,000
Office and miscellaneous	21,306	56,288	26,990	57,937
Part XII.6 tax	3,281	6,562	3,125	6,250
Professional fees	-	100	-	-
Rent	5,300	7,600	1,505	5,980
Telephone	2,337	8,565	2,108	8,577
Shared-based compensation	102,000	199,856	-	4,738
Shareholder info/investor relation	28,307	54,751	12,800	14,960
Mineral property write-down	(10,000)	(10,000)	-	-
Travel and promotion	185	1,757	-	-
	231,511	507,848	133,377	239,664
<b>Income (Loss) before other items</b>	(231,502)	(507,839)	(133,377)	(239,197)
<b>Other items</b>				
Equity loss(gain) of affiliates	-	-	-	(45,894)
<b>Net and comprehensive gain (loss) for period</b>	(231,502)	(507,839)	(133,377)	(285,091)
<b>Retained Earnings (Deficit), Beginning of the Period</b>	(7,806,776)	(7,530,439)	(6,618,931)	6,467,217
<b>Retained Earnings (Deficit), End of the Period</b>	(8,038,278)	(8,038,278)	(6,752,308)	(6,752,308)
<b>Basic and Diluted Loss Per Common Share</b>	(0.003)	(0.005)	(0.002)	(0.003)
<b>Weighted Average Number of Common Share Outstanding</b>	103,194,337	103,194,337	105,869,612	105,869,612

The accompanying notes are an integral part of these consolidated financial statements.

**Cascadero Copper Corporation**  
**Condensed Interim Statements of Changes in Equity**  
**(expressed in Canadian dollars - unaudited)**

	Number of Shares	Share Capital	Share Subscriptions	Treasury Shares	Contributed Surplus	Deficit	Shareholder's Equity
<b>Balance, November 30, 2011</b>	<b>108,527,737</b>	<b>\$ 15,004,619</b>	<b>\$ 224,460</b>	<b>\$ (465,463)</b>	<b>\$ 3,419,178</b>	<b>\$ (7, 530,439)</b>	<b>\$ 10,652,355</b>
Exercise of warrants	-	-	-	-	-	-	-
Shares issued pursuant to private placements – net	13,695,624	1,460,070	(224,460)	-	-	-	1,235,610
Premium on flow-through shares issued	-	(7,200)	-	-	-	-	(7,200)
Fair value of brokers warrants issued	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	(276,337)	(276,337)
Stock-based compensation	-	-	-	-	97,856	-	97,856
<b>Balance – February 29, 2012</b>	<b>122,223,361</b>	<b>\$ 16,457,489</b>	<b>\$ -</b>	<b>\$ (465,463)</b>	<b>\$ 3,517,034</b>	<b>\$ (7,806,776)</b>	<b>\$ 11,702,284</b>
<b>Addition:</b>							
Shares issued on private placement	-	84,148	-	-	-	-	84,148
Stock-based compensation	-	-	-	-	102,000	-	102,000
Loss for the period – May 31, 2012	-	-	-	-	-	(231,502)	(231,502)
<b>Balance May 31, 2012</b>	<b>122,223,361</b>	<b>\$ 16,541,637</b>	<b>\$ -</b>	<b>\$ (465,463)</b>	<b>\$ 3,619,034</b>	<b>\$ (8,038,278)</b>	<b>\$11,656,930</b>

	Number of Shares	Share Capital	Share Subscriptions	Treasury Shares	Contributed Surplus	Deficit	Shareholder's Equity
<b>Balance, December 1, 2010</b>	<b>102,944,612</b>	<b>\$ 14,123,434</b>	<b>\$ -</b>	<b>\$ (625,543)</b>	<b>\$ 3,046,323</b>	<b>\$ (6,467,217)</b>	<b>\$ 10,076,997</b>
Exercise of warrants	-	-	-	-	-	-	-
Private placements	2,525,000	505,000	-	-	-	-	505,000
Shares issued to pursuant to property agreement	-	-	-	-	-	-	-
Fair value of brokers warrants issued	-	-	-	-	-	-	-
Stock-based compensation	-	-	-	-	4,738	-	4,738
Premium on flow-through shares issued	-	(50,500)	-	-	-	-	(50,500)
Loss for the period	-	-	-	-	-	(151,714)	(151,714)
Realized gain on available-for-sale	-	-	-	-	-	-	-
<b>Addition</b>							
Private placement	100,000	99,902	-	-	-	-	99,902
Loss for the period	-	-	-	-	-	(133,377)	(133,377)
<b>Balance, May 31, 2011</b>	<b>105,569,612</b>	<b>\$ 14,677,836</b>	<b>\$ -</b>	<b>\$ (625,543)</b>	<b>\$ 3,051,061</b>	<b>\$ (6,752,308)</b>	<b>\$ 10,351,046</b>

**CASCADERO COPPER CORPORATION**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**May 31, 2012**  
**(Unaudited – Prepared by Management)**

	<b>3 Months Ended May 31, 2012 \$</b>	<b>6 Months Ended May 31, 2012 \$</b>	<b>3 Months Ended May 31, 2011 \$</b>	<b>6 Months Ended May 31, 2011 \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (Loss) for the year	(231,502)	(507,839)	(133,377)	(285,090)
Items not affecting cash:				
Amortization	747	1,494	994	1,987
Changes in non-cash working capital items:				
Receivable from related company	-	-	15,000	4,905
Unrealized (gain) loss on treasury shares	-	-	-	-
Equity (gain) loss on affiliates	-	-	-	45,893
(Increase) decrease in receivable-GST	115,514	88,556	(24,471)	(55,429)
Increase (decrease) in accounts payable and accrued liabilities	193,047	166,959	(4,245)	6,100
(Increase) decrease in prepaid expenses	(36,940)	(60,383)	(34,000)	(34,000)
Shared based compensation	102,000	199,856	-	4,738
Net Cash Used in Operating Activities	142,866	(111,357)	(180,099)	(310,896)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Mineral property costs	(187,981)	(278,513)	(99,475)	(278,528)
Investments	-	-	-	-
Net Cash Provided By (Used In) Investing Activities	(187,981)	(278,513)	(99,475)	(278,528)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Common shares issued	115,200	1,351,240	100,000	605,000
Share issue cost	(31,051)	(38,681)	(97)	(97)
Due to/from related parties	(48,924)	(130,308)	(10,000)	(10,000)
(Increase)decrease from equity affiliates	(408,489)	(665,266)	-	-
Shares subscription received	-	-	-	-
Net Cash Provided By (Used In) Financing Activities	(373,264)	516,985	89,903	594,903
<b>Increase (Decrease) in Cash and Equivalents During the Period</b>	(418,379)	127,115	(189,671)	5,479
<b>Cash and Equivalents, Beg. of the Period</b>	817,784	272,290	376,489	181,339
<b>Cash and Equivalents, End of the Period</b>	399,405	399,405	186,818	186,818
Cash Paid During the Period for interest	-	-	-	-

**Supplemental disclosure with respect to cash flows**

**CASCADERO COPPER CORPORATION**  
**Notes to the Condensed Interim Financial Statement**  
**May 31, 2012**  
**(Expressed in Canadian Dollar – Unaudited)**

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Cascadero Copper Corporation ("Cascadero" or the "Company") was incorporated pursuant to the Alberta Business Corporations Act on October 30, 2003 and continued into the Province of British Columbia on June 3, 2004. The Company is engaged in the business of acquiring, exploring and developing mineral properties located primarily in Canada. The Company is considered to be in the development stage.

The Company is in the process of exploring and developing most of its mineral properties and has not yet determined whether the properties contain precious mineral reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and the related deferred exploration costs are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the mineral properties, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production or proceeds from the disposition of the mineral properties.

These financial statements have been prepared on the basis of a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. In making its assessment, management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as going concern as described in the following paragraph. These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business.

The ability of the Company to continue operations is dependent upon the continued financial support of its shareholders, other investors and lenders, and the successful development of mineral properties in the future. The outcome of these matters cannot be predicted at this time. Since inception, the Company has incurred cumulative losses of \$8,038,278 and for the three month period ended May 31, 2012 had operating cash outflow from continuing operations of approximately \$ 128,755. Management believes that the Company will be able to continue to raise additional funds and has prepared these financial statements on a going concern basis. Realization values may be substantially different from the carrying values as presented in the financial statements should the Company be unable to continue as a going concern. It is management's opinion that all adjustments considered necessary for fair presentation of the results for the years presented have been reflected in these financial statements.

**2. BASIS OF PRESENTATION**

**(a) Statement of compliance**

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These are the Company's first interim financial statements presented in accordance with IFRS and comply with International Accounting Standard 34, Interim Financial Reporting ("IAS34").

**2. BASIS OF PRESENTATION - continued**

**(a) Statement of compliance – continued**

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended November 30, 2011. However, this interim financial report, being the first IFRS financial report, provides selected significant disclosures that are required in the annual financial statements under IFRS. The disclosures concerning the transition from Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) to IFRS are provided in Note 12.

The Company’s transition date to IFRS is December 1, 2010. The rules for first-time adoption of IFRS are set out in IFRS 1, “First-time adoption of International Financial Reporting Standards”. In preparing the Company’s IFRS financial statements, these transition rules have been applied to the amounts previously reported in accordance with Canadian generally accepted accounting principles (“GAAP”). Historical results and balances have been restated under IFRS.

An explanation of the impact of the transition from Canadian GAAP to IFRS on the Company’s financial statements is provided in Note 12.

The accounting policies set out in Note 3 have been applied consistently by the Company to all periods presented and in preparing the opening balance sheet at December 1, 2010 for purposes of transition to IFRS.

The financial statements were authorized for issue by the Board of Directors on July 27, 2012.

**(b) Basis of measurement**

These financial statements have been prepared on a historical cost basis except for financial instruments, which are measured at fair value. In addition, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All financial information in these financial statements is presented in Canadian dollars which is the functional currency of the Company.

**(c) Use of estimates and judgments**

The preparation of financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the application of policies and reported amounts of assets and liabilities and disclosures of assets and liabilities at the date of the financial statements, along with reported amounts of expenses and net losses during the period. Actual results may differ from these estimates, and as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.



**CASCADERO COPPER CORPORATION**  
**Notes to the Condensed Interim Financial Statement**  
**May 31, 2012**  
**(Expressed in Canadian Dollar – Unaudited)**

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**2. BASIS OF PRESENTATION - continued**

**(c) Use of estimates and judgments**

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date that could result in a material adjustment to the carrying value of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of mineral properties and exploration and evaluation expenditures incurred on its Canadian projects; the Company capitalizes acquisition, exploration and evaluation expenditures on its statement of financial position, and evaluates these amounts at least annually for indicators of impairment;
- the estimated useful lives and residual value of property, plant and equipment which are included in the statement of financial position and the related amortization included in the statement of loss and comprehensive loss;
- whether a past event has led to a liability that should be recognized in the statement of financial position or disclosed as a contingent liability;
- the inputs in accounting for share-based payment transactions in the statement of loss and comprehensive loss (using the Black-Scholes model) including volatility, probable life of options granted, time of exercise of the options and forfeiture rate;
- the expected future tax rate used in the determination of the Company's future income tax liability on the statement of financial position; and
- the assessment of the Company's ability to execute its strategy by funding future working capital requirements.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Property, plant and equipment**

**(i) Mineral properties and exploration and evaluation expenditures**

Acquisition costs of resource properties together with direct exploration and evaluation expenditures thereon are deferred in the accounts at costs. These are classified as intangible assets. Once a project has been established as commercially viable and technically feasible, mineral properties are reclassified as tangible assets and related development expenditures are capitalized. When production is attained these costs will be amortized using the unit of production method based upon estimated proven recoverable reserves. When deferred expenditures on individual producing properties exceed the estimated net realizable value, the properties are written down to the estimated value. Costs relating to properties abandoned are written off when the decision to abandon is made.

From time to time, the Company may acquire or dispose of a mineral property interest, either by an option agreement or an acquisition agreement. As the consideration payable may consist of options, which are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are recorded as property costs or recoveries when the payments are made or received. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations.

The amounts shown for resource properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

**(ii) Equipment**

Equipment is reported at cost. Amortization is provided using the declining balance method at the following rates per annum.

Computer equipment	45%
Furniture and fixture	20%

**(iii) Subsequent events**

The cost of replacing part of an item within property, plant and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the group and the cost of the item can be measured reliably. All other costs are recognized as an expense as incurred.

**(iv) Impairment**

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the period.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Property, plant and equipment** (continued)

**(v) Reversal of impairment**

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed

**(b) Cash and cash equivalents**

Cash and cash equivalents include all highly liquid investments that are redeemable within ninety days or less when purchased.

**(c) Short-term investments**

Short-term investments are recorded at cost, which approximate market value and consist of short-term investments with a maturity of more than three months.

**(d) Earnings (loss) per share**

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting period.

**CASCADERO COPPER CORPORATION**  
**Notes to the Condensed Interim Financial Statement**  
**May 31, 2012**  
**(Expressed in Canadian Dollar – Unaudited)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Common shares**

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on the TSX Venture Exchange on the date of the agreement to issue the shares or the date of share issuance, whichever is more appropriate.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus.

Common shares, which by agreement are designated as flow-through shares, are usually issued at a premium to non-flow-through common shares. On issue, share capital is increased only by the non-flow-through share equivalent value. Any premium is recorded as a deferred liability. Pursuant to any flow-through share agreement the Company must renounce its flow-through share exploration expenditures to the flow-through shareholders, and the Company gives up its rights to the income tax benefits on the exploration expenditures. The loss of the tax benefit is recorded as a deferred tax liability and eliminates the original deferred liability, with the difference, if any, recorded as a deferred income tax expense. In instances where the Company has sufficient deductible temporary differences available to offset the deferred income tax liability created from renouncing the exploration expenditures, the realization of the deductible temporary differences will be shown as a recovery in profit or loss in the period of renunciation.

**(f) Share-based payments**

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized immediately that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(g) Provision for environmental rehabilitation**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mining properties and other assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision.

The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the. The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit and loss as incurred.

**(h) Financial instruments**

***Financial Assets***

Financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets at FVTPL include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognized in profit or loss. Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company has classified its cash as FVTPL.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Financial assets classified as loans and receivables are measured at amortized cost less impairment. The Company has classified its other receivables as loans and receivables.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, as well as through the amortization process. Financial assets classified as held-to-maturity are measured at amortized cost.

**CASCADERO COPPER CORPORATION**  
**Notes to the Condensed Interim Financial Statement**  
**May 31, 2012**  
**(Expressed in Canadian Dollar – Unaudited)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(h) **Financial instruments (continued)**

***Financial Assets*** (continued)

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognized in profit or loss. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company has classified its investment as available-for-sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

***Financial Liabilities***

Financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or classified as other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. The Company has classified its accounts payable and accrued liabilities and due to related parties as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities as held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income or loss. The Company has no financial liabilities classified as FVTPL.

(i) **De-recognition of financial assets and liabilities**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) De-recognition of financial assets and liabilities (continued)**

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive loss.

**(j) Agent warrants and warrants**

Warrants issued to agents in connection with a financing are recorded at fair value and charged to share issue costs associated with the offering with an offsetting credit to contributed surplus in shareholders' equity.

Warrants included in units offered to subscribers in connection with financings are valued using the residual value method whereby proceeds are first allocated to the fair value of the shares and the excess if any, allocated to the warrants.

**(k) Comprehensive profit (loss)**

Comprehensive profit (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net profit such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations.

The Company's comprehensive profit (loss), components of other comprehensive income, and cumulative translation adjustments are presented in the Statements of Comprehensive Profit (Loss) and the Statements of Shareholders' Equity.

**(l) Provisions**

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

**(m) New standards not yet adopted**

*(i) Effective for annual periods beginning on or after July 1, 2011*

- *Amendments to IFRS 7 Financial Instruments: Disclosures*

Increase in disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period.

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(m) **New standards not yet adopted**

(ii) *Effective for annual periods beginning on or after January 1, 2013*

- *New standard IFRS 10 Consolidated Financial Statements*

Provides a new single consolidation model that identifies control as the basis for consolidation for all types of entities, and replaces IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*.

- *New standard IFRS 11 Joint Arrangements*

Improves the accounting for joint arrangements by introducing a principle-based approach that requires a party to a joint arrangement to recognize its rights and obligations arising from the arrangement. Such a principle-based approach will provide users with greater clarity about an entity's involvement in its joint arrangements by increasing the verifiability, comparability and understanding of the reporting of these arrangements. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures and SIC-13 Jointly Controlled Entities-Non-Monetary Contributions by Venturers*.

- *New standard IFRS 12 Disclosure of Interests in Other Entities*

Combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated significant entities.

- *New standard IFRS 13 Fair Value Measurement*

Defines fair value and sets out a framework for measuring fair value and disclosures about fair value measurements. It applies when other IFRS require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value.

(iii) *Effective for annual periods beginning on or after January 1, 2015*

- *New standard IFRS 9 Financial Instruments*

Partial replacement of IAS 39 *Financial Instruments: Recognition and Measurement*

The Company has initially assessed that there will be no material reporting changes as a result of adopting the new standards however, there will be enhanced disclosure requirements.



#### **4. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES**

(a) **Fair value of financial instruments**

As at May 31, 2012, the Company's financial instruments consist of cash, accounts payable and accrued liabilities, and due to related parties.

IFRS requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. IFRS 7 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 7 prioritizes the inputs into three levels that may be used to measure fair value.

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the net asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are observable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The fair value of cash and investments are determined based on Level 1 inputs which consist of quoted prices in active markets for identical assets. As at May 31, 2012, the Company believes that the carrying values of accounts payable and accrued liabilities, and due to related parties approximate the fair values because of their nature and relatively short maturity dates or durations.

(b) **Risk Management**

**Credit Risk**

The Company is exposed to credit risk with respect to its cash, cash equivalents, cash exploration funds and accounts receivable. To minimize this risk, cash, cash equivalents and cash exploration funds have been placed with major Canadian financial institutions.

**Interest Rate Risk**

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

**CASCADERO COPPER CORPORATION**  
**Notes to the Condensed Interim Financial Statement**  
**May 31, 2012**  
**(Expressed in Canadian Dollar – Unaudited)**

**4. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES (continued)**

**(b) Risk Management (continued)**

Liquidity Risk

The Company ensures that there is sufficient capital in order to meet annual business requirements, after taking into account administrative, property holding and exploration budgets, and cash and cash equivalent holdings. As the Company does not have operating cash flow and the Company has relied primarily on equity financings to meet its capital requirements.

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of gold, silver, nickel and copper.

**(c) Capital management**

The Company considers its capital structure to include working capital and shareholders' equity. Management's objective is to ensure that there is sufficient capital to minimize liquidity risk and to continue as a going concern. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financings will be favorable. The Company's share capital is not subject to any external restriction and the Company did not change its approach to capital management during the period.

**5. LONG-TERM INVESTMENTS**

In December 2008, the Company paid US\$200,000 and TSX Venture Exchange approval was granted for the Company to issue 28,000,000 of its common shares with a fair value of \$700,000 to Argentine Frontier Resources Inc. ("AFRI") for its 50% membership interest in SESA Holdings, LLC ("SESA"), a limited liability company formed under the laws of the State of Nevada, USA. SESA is the legal and/or beneficial holder of 100% of the issued and outstanding equity interest in Salta Exploraciones S.A. ("Salta") a company duly formed under the laws of Argentina which holds certain mineral rights and properties. The Company uses the equity method of accounting for its investment in SESA. The Company's long-term investments are as follows:

	<b>2012</b>		2011		2010
Acquisition cost of SESA Holdings LLC	\$ 947,540	\$	947,540	\$	947,540
Loss in SESA Holdings LLC	<b>(947,539)</b>		(947,539)		(901,646)
Carrying value of SESA Holdings LLC	\$ 1	\$	1	\$	45,894

Summarized financial information of the investment for the three month period ended May 31, 2012 as follows:

Total Assets	\$ 3,995,586
Total liabilities	\$ 2,393,880
Total Revenue	\$ -
Total loss	\$ (244,544)

**CASCADERO COPPER CORPORATION**  
**Notes to the Condensed Interim Financial Statement**  
**May 31, 2012**  
**(Expressed in Canadian Dollar – Unaudited)**

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**5. LONG-TERM INVESTMENTS (continued)**

During the three month period ended May 31, 2012, Cascadero's share of SESA LLC's losses was \$ 46,956. Of these total losses, \$Nil (2011 - \$45,893) was recognized in Cascadero's net income to reduce the value of the investment in SESA to a nominal amount.

**6. MINERAL PROPERTIES**

**Toodoggone Property**

On July 14, 2004, mineral properties were acquired in accordance with the Property Transfer Agreement dated May 10, 2004 between Stealth Minerals Limited and Cascadero Copper Corporation. The Property Transfer Agreement provided that the purchase price for certain land mineral claims would be equal to 60% of the total mineral property costs incurred by Stealth Minerals Limited as at May 10, 2004. Accordingly, the Company acquired the mineral properties for \$6,295,586 and issued 21,000,000 shares to Stealth Minerals Limited.

On January 26, 2006, the Company acquired certain additional mining claims from Stealth Minerals Limited for \$150,000 and issued 1,000,000 shares to Stealth Minerals Limited as consideration.

On March 3, 2009, the Company and Gold Fields Toodoggone Exploration Corporation ("Gold Fields"), a wholly owned subsidiary of Gold Fields Netherlands Services BV and a member of the Gold Fields Limited group of companies, signed an Option and Joint Venture Exploration Agreement. The Option Agreement grants Gold Fields an option to acquire a 51% interest in Cascadero's Toodoggone property by incurring expenditures of at least CDN\$5 million over a three year period. If Gold Fields acquires the 51% interest, it has the option to acquire an additional 24% interest in the property by spending an additional \$15 million or funding the completion of a feasibility study.

The Option Agreement also provides that Gold Fields, or one of its affiliates, will subscribe for 500,000 units of Cascadero at a price of \$0.10 per unit with each unit consisting of one share and one share purchase warrant that can be exercised for one additional common share of the Company at \$0.12 per share for one year. If Gold Fields continues with the Option Agreement, it is required to invest a further \$100,000 in Cascadero units on each of the first three anniversaries. During the year ended November 30, 2009, Gold Fields purchased the 500,000 units and exercised the 500,000 share purchase warrants. Cascadero paid a finder's fee of \$7,500 to an arm's length party.

During the year ended November 30, 2010, Gold Fields opted to exercise a Force Majeure on the Toodoggone Option. As a result, it did not purchase any units of Cascadero during the year ended November 30, 2010. This Force Majeure was removed during the year ended November 30, 2011, and Gold Fields subscribed to \$100,000 in Cascadero's shares in March 2011.

In 2012 Gold Fields advised the Company it intended to continue work on the Toodoggone Project in the 2012 field season. Gold Fields subscribed to 625,000 units of Cascadero common shares at \$0.16 per unit. A unit consists of one common share and one common share warrant. One warrant plus \$0.19 can be exercised for one more common share for a period of one-year.

**Swayze claims**

On December 1, 2010, the Company entered into a buy-sell agreement for the Swayze property claims, located in Timmons, Ontario. This property is comprised of the Jessop, Whitesises, Keefer, Rollo, Rainey, Swayze, Garnett and Chester claims ("the Claims").

**CASCADERO COPPER CORPORATION**  
**Notes to the Condensed Interim Financial Statement**  
**May 31, 2012**  
**(Expressed in Canadian Dollar – Unaudited)**

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**6. MINERAL PROPERTIES** (continued)

Cascadero paid 800,000 of its own shares at a fair value of \$152,000 to the sellers in exchange for 100% interest in the Claims.

The claims are subject to a 2% net smelter royalty (“NSR”), 50% of which can be purchased for CAD \$2,000,000 within the first year of commercial production.

**Jovan property**

On March 2, 2011, Cascadero finalized an option agreement with John and Marie Brady (“the Optionors”) to acquire a 100% interest in the Jovan property, subject to a 2.5% Net Smelter Return Royalty (“the NSR”). The Jovan property is comprised of several claims groups. These claims are located in Sudbury, Ontario.

Under the above Agreement, the Company can earn a 100% interest in the Property through making the following cash payments, share issuances, assessment work expenditures and NSR obligations:

**Cash payments**

- C\$25,000 on March 2, 2011, the date of execution of the LOU (paid).
- C\$50,000 (cumulative C\$75,000) on March 2, 2012, the first anniversary of the LOU execution date (not paid).
- C\$75,000 (cumulative C\$150,000) on March 2, 2013, the second anniversary of the LOU execution date (not paid).
- C\$150,000 (cumulative C\$300,000) on March 2, 2014, the third anniversary of the LOU execution date (not paid).

**Share issuances of Cascadero**

- 150,000 shares of Cascadero issued on March 2, 2011, the date of execution of the LOU (paid – 150,000 Treasury shares at a fair market value of \$24,750).
- 150,000 shares of Cascadero (cumulative 30,000 shares) issued on March 2, 2012, the first anniversary of the LOU execution date (not paid).
- 100,000 shares of Cascadero (cumulative 400,000 shares) issued on March 2, 2013, the second anniversary of the LOU execution date (not paid).
- 100,000 shares of Cascadero (cumulative 400,000 shares) issued on March 2, 2014, the third anniversary of the LOU execution date (not paid).

**Assessment and work requirements**

- C\$nil on March 2, 2011, the date of execution of the LOU.
- C\$75,000 (cumulative C\$75,000) on March 2, 2012, the first anniversary of the LOU execution date (not paid).
- C\$100,000 (cumulative C\$175,000) on March 2, 2013, the second anniversary of the LOU execution date (not paid).
- C\$150,000 (cumulative C\$325,000) on March 2, 2014, the third anniversary of the LOU execution date (not paid).
- C\$175,000 (cumulative C\$500,000) on March 2, 2015, the fourth anniversary of the LOU execution date (not paid).

## **6. MINERAL PROPERTIES** (continued)

If the Company completes the required expenditures, it can provide notice to the Optionors and exercise its option to acquire a 100% interest in the Property, subject to the following:

- 3% NSR and a buyout of two-thirds for C\$1,500,000 at any time.
- Advance minimum royalty (“AMR”) of C\$25,000 per year, commencing on the 5<sup>th</sup> anniversary of this agreement. All AMR payments will be deducted from the NSR payments.

### **Marble Mountain Property**

One of the claims obtained by the Company under the Brady Option Agreement for the Jovan properties (above) is for the Marble Mountain Property.

The Company entered into an Option and Joint Venture Agreement (“the Agreement”) with Gold Fields Sudbury Exploration Corporation (“Gold Fields”) for this property subsequent to year end (Note 11). Under this agreement, Gold Fields can obtain a 65% interest in the Marble Mountain property as follows:

- Contributing C\$600,000 in Permitted Expenditures in respect of the Properties before the Option Period ends.
- Satisfying the Minimum Expenditure Condition.
- Paying to the Owner (John Brady) or Cascadero (as Gold Fields may choose from time to time), in immediately available funds, each cash payment on or before the corresponding Milestone Date.

The three above items collectively comprise the 65% Option Price.

The required cash payments are:

- C\$50,000 on the 1<sup>st</sup> Milestone date (March 11, 2012: five days from the commencement date, which is March 6, 2012) (paid)
- C\$50,000 (cumulative C\$100,000) on the 2<sup>nd</sup> Milestone date (January 31, 2013) (unpaid).
- C\$100,000 (cumulative C\$200,000) on the 3<sup>rd</sup> Milestone date (January 31, 2014) (unpaid).
- C\$500,000 (cumulative C\$700,000) on November January 31, 2015 (unpaid).

### **10% Option**

If Gold Fields contributes the 65% option price it is deemed to be granted the 10% option and the option period is deemed to be extended to the JV Commencement Date (the date that Gold contributes the 10% Option).

To earn the 10% interest, Gold Fields has to:

- Solely fund the completion of a feasibility study in respect of any target or deposit within the properties; or
- Otherwise contributing to a milestone amount in expenditures (C\$20,000,000 in Expenditures on the Properties in excess of the Option Requirements.

Whichever of the two above items occurs first will be considered valid to earn the 10% Option (“the Option Price”).

### **Jerome and Powerline properties**

During the year ended November 30, 2011, the Company made expenditures on mineral properties to which it had not yet formally acquired rights. These expenditures have been written off as at November 30, 2011.

**CASCADERO COPPER CORPORATION**  
**Notes to the Condensed Interim Financial Statement**  
**May 31, 2012**  
**(Expressed in Canadian Dollar – Unaudited)**

**6. MINERAL PROPERTIES** (continued)

Total costs included in mineral properties for are as follows:

	November 30, 2009 \$	Additions \$	Disposals/ Write- downs \$	November 30, 2010 \$
	<b>Acquisition</b>		<b>Total</b>	<b>Total</b>
<b>Toodoggone property</b>				
<b>Acquisition</b>	6,445,586	-	-	6,445,586
Deferred exploration – general	3,098,388	-	-	3,098,389
mineral property - general	-	1,750	-	1,750
consulting	-	48,969	-	48,969
staking	-	84,306	-	84,306
prospecting	-	15,506	-	15,506
others	-	7,520	-	7,520
assay	-	7,569	-	7,569
	9,543,974	165,620	-	9,709,594

**CASCADERO COPPER CORPORATION**  
**Notes to the Condensed Interim Financial Statement**  
**May 31, 2012**  
**(Expressed in Canadian Dollar – Unaudited)**

6. MINERAL PROPERTIES (continued)

	November 30, 2010 \$	Additions \$	Disposals/ Write-downs \$	November 30, 2011 \$
	Acquisition		Total	Total
<b>Toodoggone property</b>				
BC, Canada	6,445,586	-	-	6,445,586
Deferred exploration – general mineral property	3,098,388	-	-	3,098,388
consulting	1,750	-	-	1,750
staking	48,969	-	-	48,969
prospecting	84,306	-	-	84,306
others	15,506	-	-	15,506
assay	7,520	-	-	7,520
	7,569	-	-	7,569
	9,709,594	-	-	9,709,594
<b>Swayze claims</b>				
Timmins, Ontario, Canada				
acquisition	-	152,000	-	152,000
consulting	-	19,970	-	19,970
staking	-	730	-	730
prospecting	-	6,800	-	6,800
finders' fees	-	49,500	-	49,500
others	-	17,952	-	17,952
geological	-	40,590	-	40,590
assay	-	1,645	-	1,645
	-	289,187	-	289,187
<b>Powerline property</b>				
Sudbury, Ontario, Canada				
Acquisition	-	10,000	10,000	-
Consulting	-	3,175	3,175	-
Geological	-	580	580	-
Others	-	772	772	-
Prospecting	-	12,128	12,128	-
	-	26,655	26,655	-
<b>Jerome property</b>				
Timmins, Ontario, Canada				
Acquisition	-	8,500	8,500	-
Consulting	-	127,460	127,460	-
Geological	-	1,600	1,600	-
Prospecting	-	8,584	8,584	-
	-	146,144	146,144	-
<b>Marble Mountain</b>				
Sudbury, Ontario				
Optioned from John and Marie Brady				
Optioned to: Gold fields				
Acquisition	-	50,500	-	50,500
Consulting	-	5,000	-	5,000
Assay	-	4,510	-	4,510
Geological	-	35,547	-	35,547
mob/demob	-	124,974	-	124,974
Other	-	4,702	-	4,702
	-	225,233	-	225,233
<b>Jovan claims</b>				
Sudbury, Ontario				
Optioned from John and Marie Brady				
Acquisition	-	49,750	-	49,750
Consulting	-	3,800	-	3,800
Geological	-	61,680	-	61,680
Assay	-	16,235	-	16,235
Others	-	31,979	-	31,979
mob/demob	-	45,400	-	45,400
	-	208,844	-	208,844
General	-	7,500	-	7,500
	9,709,593	903,563	172,799	10,440,357

**CASCADERO COPPER CORPORATION**  
**Notes to the Condensed Interim Financial Statement**  
**May 31, 2012**  
**(Expressed in Canadian Dollar – Unaudited)**

**6. MINERAL PROPERTIES (continued)**

	November 30, 2011 \$	Additions \$	Disposals/ Write-downs \$	May 31, 2012 \$
	Acquisition		Total	Total
<b>Toodoggone property</b>				
BC, Canada	6,445,586	-	-	6,445,586
Deferred exploration – general mineral property	3,098,388	-	-	3,098,388
consulting	1,750	-	-	1,750
staking	48,969	-	-	48,969
prospecting	84,306	-	-	84,306
others	15,506	-	-	15,506
assay	7,520	-	-	7,520
	7,569	-	-	7,569
	<u>9,709,594</u>	<u>-</u>	<u>-</u>	<u>9,709,594</u>
<b>Swayze claims</b>				
Timmins, Ontario, Canada				
acquisition	152,000	-	-	152,000
consulting	19,970	4,450	-	24,420
staking	730	-	-	730
prospecting	6,800	800	-	7,600
finders' fees	49,500	-	-	49,500
others	17,952	859	-	18,811
geological	40,590	25	-	40,615
assay	1,645	13,155	-	14,800
	<u>289,187</u>	<u>19,289</u>	<u>-</u>	<u>308,476</u>
<b>Powerline property</b>				
Sudbury, Ontario, Canada				
Acquisition	-	-	-	-
Consulting	-	1,500	-	1,500
Geological	-	8,556	-	8,556
Assay	-	3,672	-	3,672
Exploration	-	40,556	-	40,556
Others	-	425	-	425
Prospecting	-	-	-	-
	<u>-</u>	<u>54,709</u>	<u>-</u>	<u>54,709</u>
<b>Jerome property</b>				
Timmins, Ontario, Canada				
Acquisition	-	-	-	-
Consulting	-	1,400	-	1,400
Prospecting/geological	-	2,075	-	2,075
Others	-	107	-	107
	<u>-</u>	<u>3,582</u>	<u>-</u>	<u>3,582</u>
<b>Marble Mountain</b>				
Sudbury, Ontario				
Optioned from John and Marie Brady				
Optioned to: Gold fields				
Acquisition	50,500	75,000	-	125,500
Consulting	5,000	7,600	-	12,600
Assay	4,510	-	-	4,510
Geological	35,547	899	-	36,446
mob/demob	124,974	-	-	124,974
Other	4,702	2,159	-	6,861
	<u>225,233</u>	<u>85,658</u>	<u>-</u>	<u>310,891</u>
<b>Jovan claims</b>				
Sudbury, Ontario				
Optioned from John and Marie Brady				
Acquisition	49,750	40,000	-	89,750
Consulting	3,800	2,400	-	6,200
Geological	61,680	2,856	-	64,536
Assay	16,235	-	-	16,235
Others	31,979	5,266	-	37,245
mob/demob	45,400	-	-	45,400
Staking	-	637	-	637
	<u>208,844</u>	<u>51,159</u>	<u>-</u>	<u>260,003</u>
<b>General</b>				
	<u>7,500</u>	<u>64,115</u>	<u>-</u>	<u>71,615</u>
	<u>10,440,358</u>	<u>278,512</u>	<u>-</u>	<u>10,718,870</u>



**6. MINERAL PROPERTIES** (continued)

Contractual Commitments

The Company holds a 100% interest in 31,409.4 hectares in the Toadoggone River region of north central British Columbia all of which are subject to a net smelter return royalty agreement of 3% on production of all metal in favour of Electrum Resource Corp.

Stealth Mineral Limited has the right to buy down one third of the net smelter return royalty from 3% to 2% on all tenures for \$2,000,000. In addition, Stealth Minerals Limited has the further right to buy down an additional one third of the net smelter return royalty on base metal and an additional one sixth on precious metal on three tenures aggregating 1,068.11 hectares for an additional \$1,500,000.

Subject to Stealth Mineral Limited's execution of its first buy down right, the Company has the right to buy down an additional one third of the 3% net smelter return royalty or 1% applicable to base metal and an additional one sixth of the 3% net smelter return royalty or 0.5% applicable to precious metal on seventy-two tenures aggregating 30,341.2 hectares of an additional \$1,500,000. If all applicable buy downs are completed, the net smelter return royalty in favour of Electrum Resource Corp. is 1% applicable to base metal and 1.5% applicable to precious metal.

The tenures are in good standing until December 31, 2012.

**CASCADERO COPPER CORPORATION**  
**Notes to the Condensed Interim Financial Statement**  
**May 31, 2012**  
**(Expressed in Canadian Dollar – Unaudited)**

**7. EQUIPMENT**

<b>Cost</b>		<b>Automobile</b>	<b>Computer Equipment</b>	<b>Furniture and Fixtures</b>		<b>Total</b>
Balance at December 1, 2010	\$	-	\$ 35,767	\$ 591	\$	36,358
Additions		-	1,736	-		1,736
Disposals		-	-	-		-
Balance at November 30, 2011		-	37,503	591		38,094
Addition		-	-	-		-
<b>Balance at May 31, 2012</b>	<b>\$</b>	<b>-</b>	<b>\$ 37,503</b>	<b>\$ 591</b>	<b>\$</b>	<b>38,094</b>

<b>Accumulated depreciation and Amortization</b>		<b>Automobile</b>	<b>Computer Equipment</b>	<b>Furniture and Fixtures</b>		<b>Total</b>
Balance at December 1, 2010	\$	-	\$ 27,124	\$ 167	\$	27,291
Additions		-	3,889	84		3,973
Disposals		-	-	-		-
Balance at November 30, 2011		-	31,013	251		31,264
Addition (February 29, 2012)		-	730	17		747
Addition (May 31, 2012)		-	730	17		747
<b>Balance at May 31, 2012</b>	<b>\$</b>	<b>-</b>	<b>\$ 32,473</b>	<b>\$ 285</b>	<b>\$</b>	<b>32,758</b>

<b>Net carrying amounts</b>		<b>Automobile</b>	<b>Computer Equipment</b>	<b>Furniture and Fixtures</b>		<b>Total</b>
At December 1, 2010	\$	-	\$ 8,643	\$ 424	\$	9,067
At November 30, 2011		-	6,490	340		6,830
At February 29, 2012		-	<b>5,760</b>	<b>323</b>		<b>6,083</b>
At May 31, 2012		-	<b>5,030</b>	<b>306</b>		<b>5,336</b>

**CASCADERO COPPER CORPORATION**  
**Notes to the Condensed Interim Financial Statement**  
**May 31, 2012**  
**(Expressed in Canadian Dollar – Unaudited)**

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**8. SHARE CAPITAL**

(a) **Authorized:**

Unlimited number of no par value common shares  
Unlimited number of preferred shares

(b) **Issued and Outstanding Common Shares**

Please refer to the Statement of Shareholders' Equity and Deficit for transactions during the period ended May 31, 2012.

**During the period ended May 31, 2012:**

In January 2012, the Company issued 360,625 flow-through shares in a non-brokered private placement at a price of \$0.16 per unit for gross proceeds of \$57,700. Each unit was comprised of one common share of the Company and one purchase warrant, which entitles the holder to purchase one additional common share at \$0.20. The warrants expire on October 7, 2013. The Company recorded a flow-through share premium of \$7,200 with a corresponding decrease to share capital for the premium associated with the flow-through shares

In February 2012, the Company issued 625,000 units in a non-brokered private placement at a price of \$0.16 per unit for gross proceeds of \$100,000. Each unit was comprised of one common share of the Company and one purchase warrant. Each warrant entitles the holder to purchase one additional common share at \$0.19 per share for a period of one year.

In February 2012, the Company issued 12,709,999 units in a non-brokered private placement at a price of \$0.12 per unit for gross proceeds of \$1,515,200. Each unit was comprised of one common share of the Company and one purchase warrant. Each warrant entitles the holder to purchase one additional common share at \$0.25 per share for a period of three years. Cash finders' fees of \$29,474 were paid in conjunction with this private placement.

**During the year ended November 30, 2011:**

In January 2011, the Company issued 2,525,000 flow-through shares in a non-brokered private placement at a price of \$0.20 per unit for gross proceeds of \$505,000. Each unit was comprised of one common share of the Company and one half purchase warrant (1,262,500 warrants). Two half-warrants entitle the holder to purchase one additional common share at \$0.25. The warrants expire on December 31, 2011. The Company recorded a flow-through share premium of \$50,500 with a corresponding decrease to share capital for the premium associated with the flow-through shares.

In March 2011, the Gold Fields subscribed to and was issued 400,000 units of the Company at a price of \$0.25 per unit for gross proceeds of \$100,000. Each unit was comprised of one common share of the Company and one purchase warrant. Each warrant entitles the holder to purchase one additional common share at \$0.25. The warrants expire on March 19, 2012. A residual value of \$28,000 was attributed to the warrants.

In October 2011, the Company issued 2,658,125 flow-through shares in a non-brokered private placement at a price of \$0.16 per unit for gross proceeds of \$425,300. Cash finders' fees of \$4,161 were paid in conjunction with this private placement. Each unit was comprised of one common share of the Company and one purchase warrant, which entitles the holder to purchase one additional common share at \$0.20. The warrants expire on October 7, 2013. The Company recorded a flow-through share premium of \$66,453 with a corresponding decrease to share capital for the premium associated with the flow-through shares.

**CASCADERO COPPER CORPORATION**  
**Notes to the Condensed Interim Financial Statement**  
**May 31, 2012**  
**(Expressed in Canadian Dollar – Unaudited)**

8. **SHARE CAPITAL** (continued)

(c) Stock Option Plan

The Company has a stock option plan for the benefit of directors, management and certain consultants of the Company. Under the plan, the Company may grant options for up to 20% of the issued common shares. The exercise price of each option may be discounted up to 25% from the market price of the Company's common shares on the date of grant and an option's maximum term is five years.

During the three months ended May 31, 2012 the Company did not grant any stock options to directors, employees, officers and/or consultants. The following assumptions were used for the Black-Scholes option pricing model for the valuation of stock options:

	<u>2012</u>	<u>2011</u>
Risk-free interest rate	1.71%	1.91%
Expected life of options	3.78yrs	2.48yrs
Annualized volatility	141%	135%
Dividend rate	0%	0%

The following summarizes the stock option activities:

- (i) As at May 31, 2012, the Company had stock options outstanding enabling holders to acquire the following:

Number of Shares	Weight Average Exercise Price	Weighted Average Remaining Life
1,150,000	\$0.25	2.10 years
600,000	\$0.18	1.51 years
2,275,000	\$0.15	1.56 years
11,660,000	\$0.10	1.39 years
3,550,000	\$0.12	3.48 years
<b>19,235,000</b>	<b>\$0.12</b>	<b>1.92 years</b>

- (ii) A summary of the status of the Company's stock options as at February 29, 2012 and November 30, 2011, and changes during those periods is presented below:

The following options were outstanding:

**CASCADERO COPPER CORPORATION**  
**Notes to the Condensed Interim Financial Statement**  
**May 31, 2012**  
**(Expressed in Canadian Dollar – Unaudited)**

8. **SHARE CAPITAL** (continued)

	<b>Options Outstanding</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Life</b>
Balance, December 1, 2010	18,149,000	\$0.14	1.923 years
Granted	2,200,000	\$0.23	
Exercised	-		
Cancelled/forfeited	(750,000)	\$0.31	
Expired	(1,555,000)	\$0.15	0.167 years
Balance, November 30, 2011	18,044,000	\$0.12	1.328 years
Granted	2,775,000	\$0.12	3.78 years
Exercised	-	-	
Expired/Cancelled	(1,584,000)	\$0.17	
<b>Balance, May 31, 2012</b>	<b>19,235,000</b>	<b>\$0.12</b>	<b>1.254 years</b>

(d) Warrants

The following summarizes warrant activity during the period:

	<b>Warrants Outstanding</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Life</b>
Balance, December 1, 2010	4,000,000	\$0.12	1.923 years
Granted	4,320,625	\$0.11	
Exercised	-	-	
Cancelled/forfeited	-	-	
Expired	-	-	0.167 years
Balance, November 30, 2011	8,320,625	\$0.11	1.328 years
Granted	13,695,624	-	
Exercised	-	-	
Expired	(1,662,500)	-	
<b>Balance, May 31, 2012</b>	<b>20,353,749</b>	<b>\$0.11</b>	<b>1.025 years</b>

**CASCADERO COPPER CORPORATION**  
**Notes to the Condensed Interim Financial Statement**  
**May 31, 2012**  
**(Expressed in Canadian Dollar – Unaudited)**

**8. SHARE CAPITAL** (continued)

The following summarizes warrants outstanding:

<b>Number of Warrants</b>	<b>Weight Average Exercise Price</b>	<b>Expiry Date</b>
4,000,000	\$0.10	Sept 20, 2012
2,658,125	\$0.20	Oct. 7, 2013
360,625	\$0.20	Oct. 7, 2013
625,000	\$0.19	Feb 23, 2013
12,709,999	\$0.25	Feb. 2, 2015
<b>20,353,749</b>	<b>\$0.21</b>	

**9. RELATED PARTY TRANSACTIONS**

a) The Company has the following balances owed to and from related entities as at May 31, 2012:

- i. \$77,319 due from a related Company (November 30 2011: \$135,419; December 1, 2010: \$163,482). This amount is unsecured, has no specific terms of repayment, and bears interest at a rate of 7.5% per year.
- ii. \$75,256 due to an officer and director of the Company (November 30 2011: \$75,734; December 1, 2010: \$84,718).
- iii. \$12,500 due to an immediate family member of the President of the Company (November 30 2011: \$12,500; December 1, 2010: \$9,140).
- iv. \$9,592 due to the CFO of the Company (November 30 2011: \$7,324; December 1, 2010: \$nil).
- v. Advances receivable of \$787,204 (November 30 2011: \$530,447; December 1, 2010: \$665,066).

b) During the period ended May 31, 2012, the Company had the following transactions with related parties:

- i. Incurred \$40,000 in management fees to a director of the Company (2011: \$40,000).
- ii. Incurred \$9,000 in office and administrative fees charged by the spouse of the CEO and President of the Company (2011: \$9,000).
- iii. Incurred \$8,875 in accounting and audit fees charged by the CFO (2011: \$5,236)

**10. COMMITMENTS**

In order to meet its obligation to the holders of flow-through shares, the Company is committed to carry out approximately \$1,610,875 (November 30, 2011: \$1,610,875; December 1, 2010: \$1,610,875) in exploration expenditures.

**CASCADERO COPPER CORPORATION**  
**Notes to the Condensed Interim Financial Statement**  
**May 31, 2012**  
**(Expressed in Canadian Dollar – Unaudited)**

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**10. COMMITMENTS (continued)**

Canada Revenue Agency (“CRA”) has disallowed certain exploration expenditures incurred by the Company as non-eligible exploration expenditures that do not qualify for transfer of the tax deduction to holders of the flow-through shares. In this connection, the Company has been assessed by CRA on Part XII.6 tax, in respect of certain flow-through shares issued in the 2004 taxation year, in the amount of \$237,976 (November 30, 2011: \$237,976; December 1, 2010: \$237,976) plus interest of approximately \$27,805 (November 30, 2011: \$24,524; December 1, 2010: \$12,024) for a total of \$265,781 (November 30, 2011: \$262,500; December 1, 2010: \$250,000). Of this total in tax and interest, the Company will not contest an amount of \$172,440 (2011: \$172,440). The balance of \$90,060 in assessed Part XII.6 tax and interest is being formally contested by the Company as management disagrees with CRA’s position on this amount. A provision has been made in these financial statements for the total amount of the liability.

**11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO OPERATING, FINANCING AND INVESTING ACTIVITIES**

During the period ended May 31, 2012 the Company accrued \$3,281 (2011 - \$3,125) in interest expense.

**12. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

*Overview*

As stated in note 2(a), these are the Company’s first interim financial statements prepared in accordance with IFRS.

As required by IFRS 1 “First-time Adoption of International Financial Reporting Standards”, December 1, 2010 has been considered to be the date of transition to IFRS by the Company. The comparative figures have been adjusted from amounts reported previously in the financial statements prepared in accordance with GAAP. An explanation of how the transition of GAAP to IFRS has affected the Company’s financial position, financial performance and cash flows is set out below:

(a) *First-time adoption of IFRS – exemptions applied*

IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening statement of financial position on the company’s transition date. However, IFRS 1 also dictates certain mandatory exemptions and allows certain optional exemptions from full retrospective application on the transition to IFRS. In preparing its transition date financial statements the Company has applied the following mandatory exemptions:

The estimates established by the Company in accordance with IFRS at the date of transition are consistent with the estimates made for the same date in accordance with Canadian GAAP, after adjustments made to reflect any difference in accounting principles, if applicable.

Financial assets and liabilities that have been de-recognized under previous GAAP have not been recognized under IFRS.

The Company has also chosen to apply the following exemption under IFRS:

**12. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)**

(a) *First-time adoption of IFRS – exemptions applied ) continued*

*Share-based payment transactions*

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 *Share-based Payment* to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to December 1, 2010.

(b) *Reconciliation from Canadian GAAP to IFRS*

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, few differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow the users of the financial statements to better understand these changes, the Company's Canadian GAAP statement of operations, statement of comprehensive profit, statement of financial position and statement of cash flows for the year ended November 30, 2011 have been reconciled to IFRS, with the resulting differences explained.

(c) *Impairment*

*IFRS:* If indication of impairment is identified, the asset's carrying value is compared to the asset's discounted cash flows. If the discounted cash flows are less than the carrying value, the asset is impaired by an amount equal to the difference between the discounted cash flows and the carrying value.

*Canadian GAAP:* If indication of impairment is identified, the asset's carrying value is compared to the asset's undiscounted cash flows. If the undiscounted cash flows are less than the carrying value, the asset is impaired by an amount equal to the difference between the discounted cash flows and the carrying value.

The Company completed an impairment review of its assets at December 1, 2010 and November 30, 2011 and concluded that the assets were not impaired in accordance with IFRS.

(d) *Contingent Liability*

*IFRS:* Once an outflow of resources in respect of a contingent liability becomes probable, the resulting obligation is no longer a contingent liability and is recognized in the statement of financial position as a liability. Probable in this context means more likely than not

*Canadian GAAP:* Once an outflow of resources in respect of a loss contingency becomes likely, the resulting obligation is recognized in the statement of financial position as a liability.

The Company completed a review of its contingent liability at December 1, 2010 and November 30, 2011 and concluded that under IFRS it met the recognition principal. As a result, the Company has recorded additional Part XII.6 tax and interest payable of \$85,771 as at December 1, 2010 (May 31, 2011: \$ 92,021; November 30, 2011: \$90,060) for the amounts previously contested under Canadian GAAP. The Company recorded additional Part XII.6 tax and interest expense of \$4,289 for the year ended November 30, 2011 and \$3,125 for the three month period ended May 31, 2011.



12. **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)** (continued)

(e) *Share-based Compensation*

The Company applied IFRS 2, share-based compensation on all share-based payments. Under pre-changeover Canadian GAAP, the company valued each grant using the Black-Scholes option pricing model and amortized that total cover over the vesting period. Per IFRS 2, the Company has adjusted its policy and is accounting for each vesting period as a separate grant, which resulted in changing the timing of recognition for share-based compensation. The adjustment recorded in contributed surplus for share-based compensation have been increased by \$27,825 as at December 1, 2010 (May 31, 2011: \$NIL; November 30, 2011: \$17,887). The adjustment to share-based compensation for the three months ended May 31, 2011 was NIL and for the year ended November 30, 2011 was a decrease of \$9,958.

In order to raise exploration funds the Company may enter into flow-through share agreements which transfer the rights to income tax deductions to the flow-through shareholders. Under GAAP, the Company recorded a deferred tax liability and a share issued cost at the time the expenditures were renounced to the shareholders. Under IFRS, on the issue of flow-through shares, share capital is recorded at the trading value of an ordinary common share. The difference between the proceeds and the ordinary common share value is recorded as a flow-through share premium liability. When the flow-through expenditures are incurred and renounced, the difference between the share premium liability and the deferred income tax liability is expensed.

The IFRS accounting policy for recording flow-through shares has been adopted effective December 1, 2010. As a result, for the flow-through shares issued during the year ended November 30, 2011 (Nil during the fiscal 2010), the Company has recorded a flow-through share premium liability of \$116,953 (May 31, 2011: \$ NIL) decreased contributed surplus by \$66,453 for a premium originally allocated to warrants (May 31, 2011: \$nil) and decreased share capital by \$50,500 (May 31, 2011: \$NIL)

**CASCADERO COPPER CORPORATION**  
**Notes to the Condensed Interim Financial Statement**  
**May 31, 2012**  
**(Expressed in Canadian Dollar – Unaudited)**

12. **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)** (continued)

The Canadian GAAP statement of financial position at December 1, 2010 has been reconciled to IFRS as follows:

	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 181,339	\$ -	\$ 181,339
GST/HST receivable	31,675	-	31,675
Advances receivable from equity affiliates	665,066	-	665,066
Prepaid expenses	-	-	-
	<u>878,080</u>	<u>-</u>	<u>878,080</u>
<b>Long-term Investments</b>	45,894	-	45,894
<b>Mineral properties</b>	9,709,594	-	9,709,594
<b>Equipment</b>	9,067	-	9,067
	<u>\$ 10,642,635</u>	<u>\$ -</u>	<u>\$ 10,642,635</u>
<b>Current</b>			
Accounts payable	\$ 18,297	\$ -	\$ 18,297
Accrued liabilities (Note 14(d))	204,230	85,771	290,001
Due to related parties	257,340	-	257,340
	<u>479,867</u>	<u>85,771</u>	<u>565,638</u>
<b>Shareholders' equity</b>			
Share capital	14,123,434	-	14,123,434
Share subscriptions	-	-	-
Treasury shares	(625,543)	-	(625,543)
Contributed surplus (Note 14 (e))	3,018,478	27,845	3,046,323
Deficit (Note 14 (d) & (e))	(6,353,601)	(113,616)	(6,467,217)
	<u>10,162,768</u>	<u>(85,771)</u>	<u>10,076,997</u>
	<u>\$ 10,642,635</u>	<u>\$ -</u>	<u>\$ 10,642,635</u>

**CASCADERO COPPER CORPORATION**  
**Notes to the Condensed Interim Financial Statement**  
**May 31, 2012**  
**(Expressed in Canadian Dollar – Unaudited)**

**12. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)**

The Canadian GAAP statement of financial position at November 30, 2011 has been reconciled to IFRS as follows:

	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 272,291	\$ -	\$ 272,291
GST/HST receivable	138,335	-	138,335
Advances receivable from equity affiliates	530,427	-	530,427
Prepaid expenses	18,157	-	18,157
	959,210	-	959,210
<b>Long-term Investments</b>	1	-	1
<b>Mineral properties</b>	10,440,357	-	10,440,357
<b>Equipment</b>	6,830	-	6,830
	\$ 11,406,398	\$ -	\$ 11,406,398
<b>Current</b>			
Accounts payable	\$ 88,611	\$ -	\$ 88,611
Accrued liabilities (Note 14(d))	227,441	90,060	317,501
Due to related parties	230,977	-	230,977
	547,029	90,060	637,089
<b>Flow-through share premium (Note 14 (f))</b>	-	116,953	116,953
	547,029	207,013	754,042
<b>Capital and reserve</b>			
Share capital (Note 14 (f))	15,055,120	(50,500)	15,004,620
Share subscriptions	224,460	-	224,460
Treasury shares	(465,463)	-	(465,463)
Contributed surplus (Note 14 (e) & (f))	3,467,744	(48,566)	3,419,178
Deficit (Note 14 (d) & (e))	(7,422,492)	(107,947)	(7,530,439)
	10,859,369	(207,013)	10,652,356
	\$ 11,406,398	\$ -	\$ 11,406,398

**CASCADERO COPPER CORPORATION**  
**Notes to the Condensed Interim Financial Statement**  
**May 31, 2012**  
**(Expressed in Canadian Dollar – Unaudited)**

**12. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)**

The Canadian GAAP statement of financial position at May 31, 2011 has been reconciled to IFRS as follows:

	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>ASSETS</b>			
<b>Current</b>			
Cash and equivalents	\$ 186,818	\$ -	\$ 186,818
GST/HST receivable	87,104	-	87,104
Prepaid expenses	34,000	-	34,000
Advances receivable to a related company	660,160	-	660,160
	968,082	-	968,082
<b>Long-term Investments</b>	1	-	1
<b>Mineral properties</b>	9,988,121	-	9,988,121
<b>Equipment</b>	7,081	-	7,081
	\$ 10,963,285	\$ -	\$ 10,963,285
<b>Current</b>			
Accounts payable	\$ 58,148	\$ -	\$ 58,148
Accrued liabilities (Note 14(d))	164,230	92,021	256,251
Due to related parties	247,340	-	247,340
	469,718	92,021	561,739
<b>Flow-through share premium (Note 14(f))</b>	-	50,500	50,500
	469,718	142,521	612,239
<b>Capital and reserve</b>			
Share capital (Note 14(f))	14,728,336	(50,500)	14,677,836
Treasury shares	(625,543)	-	(625,543)
Contributed surplus (Note 14 (e))	3,025,705	25,356	3,051,061
Deficit (Note 14 (d) & (e))	(6,634,931)	(117,377)	(6,752,308)
	10,493,567	(142,521)	10,351,046
	\$ 10,963,285	\$ -	\$ 10,963,285

**CASCADERO COPPER CORPORATION**  
**Notes to the Condensed Interim Financial Statement**  
**May 31, 2012**  
**(Expressed in Canadian Dollar – Unaudited)**

**12. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)**

The Canadian GAAP income statement and statement of comprehensive income for the twelve months ended November 30, 2011 have been reconciled to IFRS as follows:

	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>Expenses</b>			
Accounting and audit	\$ 73,050	\$ -	\$ 73,050
Amortization	3,975	-	3,975
Bank and interest charges	25,702	-	25,702
Filing fees	26,588	-	26,588
Legal fees	525	-	525
Management fees	160,000	-	160,000
Office and miscellaneous	271,437	-	271,437
Part XII.6 tax (Note 14 (d))	8,211	4,289	12,500
Rent	21,167	-	21,167
Share-based compensation (Note 14 (e))	248,282	(9,958)	238,324
	<u>838,937</u>	<u>(5,669)</u>	<u>833,268</u>
<b>Loss before other items</b>	<b>(838,937)</b>	<b>5,669</b>	<b>(833,268)</b>
<b>Other items</b>			
Equity loss of affiliates	(45,893)	-	(45,893)
(Loss)gain on settlement of advances	(361)	-	(361)
Interest and other income	3,892	-	3,892
Foreign exchange( loss)/gain	(14,793)	-	(14,793)
Mineral property write-down	(172,799)	-	(172,799)
	<u>(229,954)</u>	<u>-</u>	<u>(229,954)</u>
<b>Net loss and comprehensive loss for the year</b>	<b>\$ 1,068,891)</b>	<b>\$ 5,669</b>	<b>\$ (1,063,222)</b>

**CASCADERO COPPER CORPORATION**  
**Notes to the Condensed Interim Financial Statement**  
**May 31, 2012**  
**(Expressed in Canadian Dollar – Unaudited)**

**12. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)**

The Canadian GAAP income statement and statement of comprehensive income for the three months ended May 31, 2011 have been reconciled to IFRS as follows:

	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>Expenses</b>			
Accounting and audit	\$ 8,175	\$ -	\$ 8,175
Amortization	994	-	994
Advertising and promotion	15,684	-	15,684
Bank and interest charges	3,217	-	3,217
Filing fees	18,779	-	18,779
Management fees	40,000	-	40,000
Office and miscellaneous	26,990	-	26,990
Part XII.6 tax (Note 14 (d))	-	3,125	3,125
Rent	1,505	-	1,505
Share-based compensation			-
Telephone	2,108		2,108
Shareholder information/investor relation	12,800		12,800
	<u>130,252</u>	<u>3,125</u>	<u>133,377</u>
<b>Loss before other items</b>	<u>(130,252)</u>	<u>(3,125)</u>	<u>(133,377)</u>
<b>Other items</b>			
Equity loss of affiliates		-	
Interest and other income		-	
	<u>(130,252)</u>	<u>-</u>	<u>(133,377)</u>
<b>Net loss and comprehensive loss for the period</b>	<u>\$ (130,252)</u>	<u>\$ (3,125)</u>	<u>\$ (133,377)</u>

The reconciliation of the statement of cash flows for the twelve months ended November 30, 2011 and the period ended May 31, 2011 has not been provided as there were no changes to cash flows from operations, financing and/or investing for the above mentioned periods as a result of the change over to IFRS.

**13. SUBSEQUENT EVENTS**

On July 5, 2012 the Company announced a non-brokered private placement of up to 2,000,000 Flow Through Units at C\$0.16 per unit for gross proceeds of \$320,000.

Each Unit consists of one Flow Through Common Share and one Flow Through Common Share Purchase Warrant entitling the holder to purchase one Flow Through Common Share at \$0.20 per share for a period of two years from closing.

The Company intends to use the proceeds for continued exploration on its Ontario properties.