CADAN RESOURCES CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED SEPTEMBER 30, 2011

This Management Discussion and Analysis of the financial condition and results of operations has been prepared as at November 29, 2011. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein, and in the following Management Discussion and Analysis ("MD&A"), are reported in Canadian dollars. Additional information relevant to the activities of the Company can be found on SEDAR at www.sedar.com

To assist shareholders and potential investors to learn more about Cadan Resources Corporation (the "Company", "Cadan", "CXD") and keep up-to-date with its exploration and developments, the Company's website provides maps and details of its Philippine gold-silver, gold stockworks and porphyry skarn copper-gold and gold projects. Readers are encouraged to visit the site at www.cadanresources.com

1. Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

2. Use of Mineral Reserve and Resource Terminology

The mineral resources described in this MD&A are estimates and have been prepared in compliance with National Instrument 43-101 of the Canadian Securities Administrators. The definitions of the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in, and required to be disclosed by, National Instrument 43-101.

3. Company Overview

The Company is a mineral company engaged in the exploration and development of precious and base metal projects located in the Philippines. Its corporate objective is to advance the exploration of each project to the point where it can be developed economically, either by itself, or, in a development joint venture.

In the Philippines, the Company operates through its partially-owned affiliates, Philco Mining Corporation ("PMC"), Batoto Resources Corporation ("BRC") and TMC Tribal Mining Corporation ("TMC") and wholly owned subsidiary Sunbird Philippines Holding Inc ("Sunbird"), collectively, the "Philippine companies". The Company owns 40% of each of PMC, BRC and TMC. The Company is in the process of changing the name of Sunbird Philippines Holding Inc to TMC Gold Processing Corporation ("TMC Processing") and intends to use TMC Processing to operate the gold processing facility at T'Boli. PMC, BRC and TMC have been consolidated as they meet the criteria under SIC 12, "Consolidation – Special Purpose Entities". CXD management and resources are focused on the systematic exploration of the Comval porphyry skarn copper-gold deposits and targets owned by the Philippine companies: the Tagpura, Maangob, Kapanawan and Kalamatan porphyry copper-gold deposits; the Cadan porphyry copper-gold prospect; the Batoto-Tarale gold prospect; and, the T'Boli gold-silver deposit located in south-central Mindanao, Philippines.

As of the date of the MD&A, the Company has not earned any production revenue nor has found any proven reserves. Exploration and operating activities have been financed primarily by the issuance of common shares.

The Company is a reporting issuer in British Columbia and Alberta and is listed on the TSX Venture Exchange ("TSXV-CXD") and Frankfurt (with the symbol A0MZ25).

4. Directors & Management

Mr. John D Anderson	Director and Chairman of the Board
Mr. Francois Marland	Director
Mr. Simon Solomonidis	Director
Mr. Bill Goode	Director, Director Technical Development
Mr. Robert Gordon Butchart	CEO, President, Director, Chief Operating Officer
Dr. Douglas Evans	Director
Mr. Derick Sinclair, CA	CFO
Ms. Monita Faris	Corporate Secretary, Manager

5. Direction

The Company continued its focus on its Comval porphyry copper-gold projects, its T'Boli epithermal gold-silver mine and the central corridor gold stockworks projects, highlighted to date by the Batoto-Tarale mineralized zones, in the Philippines.

The helicopter borne geophysical survey of the Company's tenements at Comval and T'Boli, was completed in the third quarter. The survey results are currently being interpreted and are expected to provide valuable structural information. Any magnetic anomalies, associated with as yet unknown porphyry copper-gold targets at Comval and T'Boli, will be highlighted and will be announced in the next quarter.

6. Mine Development

T'Boli Gold-Silver Mine

The T'Boli mining operation is continuing to focus on the decline and lateral development (398N, 418N and south vein structures). At the end of the quarter, the 398N had progressed approximately 100m west of the decline, having exploited a mineralized structure that has returned a "payrun" of 52m averaging 9.2g/t gold over 2.21m width. Values over a narrower stoping width, adjacent to the hanging wall shear, average 13.08g/t gold over 1.03m width for the 52m. The 418N has advanced approximately 100m in similar values. A total of 700m of exploration decline, X-cut rehabilitation, and xcutting to vein structures has now been completed from the Mafoko portal. In addition a total of 408 meters of driving on various vein structures has now been advanced.

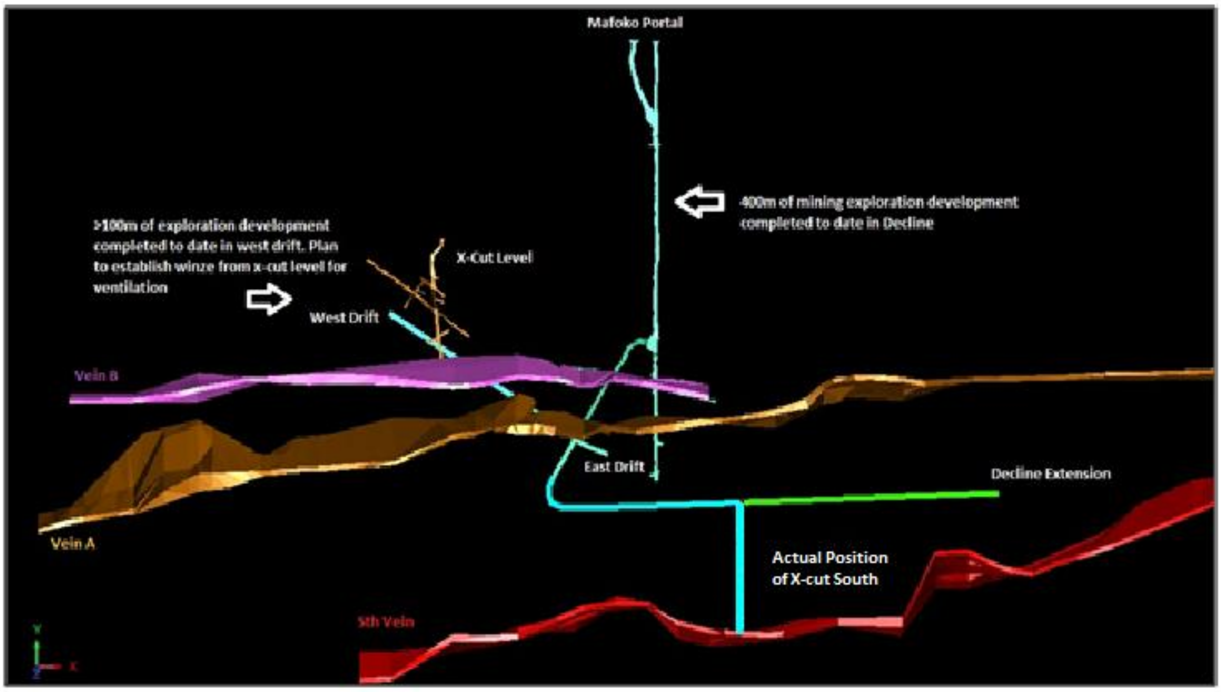

Figure 1 *– Plan view showing the T'Boli mine plan layout and the position of the three main ore zones recognized to date.*

The west drift has advanced to a position that will allow a ventilation connection to the X-cut level.

The decline will be continued approximately another 220m to be in a position about 60m below the Beehive RL, and, at this point, the decline will be turned south to intersect the South Vein. A crosscut has been advanced south at -30RL to intercept the South Vein system and provide multiple ore headings. A schematic long-section is presented in Figure 2 below.

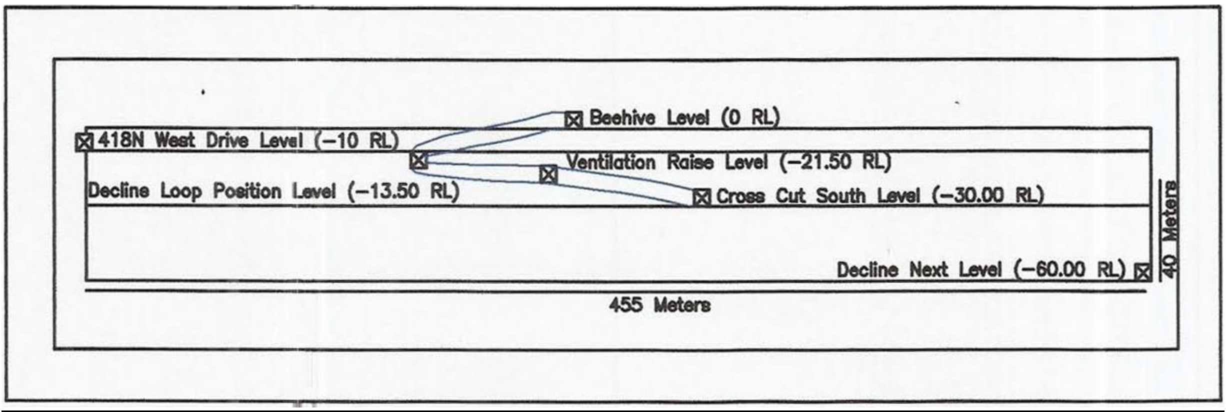

Figure 2 *– Long section looking north, showing potential ore reserve panel, if two "veins" are exploited over a 300m strike length between the -20 and -60 RL's. This would equate to 85,000 tonnes of ore, if the "veins" are 1.5m wide on average and have a bulk density of 2.35. This would supply the current processing plant for 12-14 months. Historic drilling results from TD008 intersected 4m @ 18.7 g/t in this zone.*

Geological work focused on the mapping and sampling of the underground workings, with face sampling being undertaken every two meters in the west drift. Sampling has also been undertaken on both walls of the decline taking samples every one meter along the wall. Routine check sampling of the ore stockpiles has also been undertaken. All assays are now being done by McPhar Laboratories, with sample preparation in General Santos and analysis by fire-assay in Manila. Recently, the on-site fire assay has been commissioned and an AAS machine has been purchased and is now operational.

Underground mapping has shown that the west drift is exploiting a mineralized structure that has a consistent strike of between 290° and 310° and can be interpreted to be north-west in its geometry. This structure is oblique to the interpreted east-west striking Vein A and Vein B. The following survey pick-up and geological map clearly shows this relationship, indicating that the original geological model presented in early reports is overly simplified, and additional veins are likely to exist.

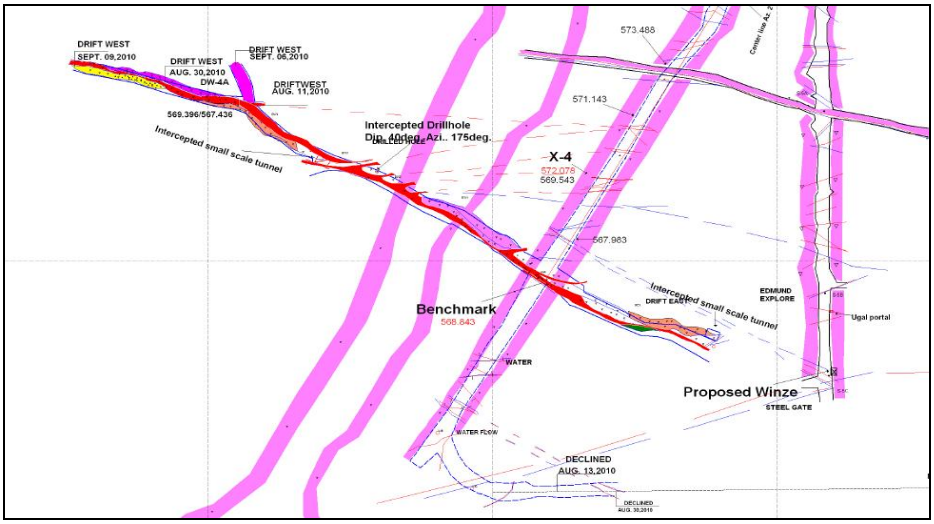

Figure 3 *– Plan view showing geological mapping of the decline and west drift. Note that the west drift is exploiting a north-west trending mineralized structure.*

Gold Resource Table

	INDICATED*			INFERRED*		
Vein	**Tonnes[1]**	**g/t [2]**	**Kg**	**Tonnes[3]**	**g/t [4]**	**kg**
South	343,700	9.4	3,230	170,000	9.4	1,600
North-A	371,100	7.1	2,630	189,000	7.0	1,320
North-B	151,200	10.5	1,590	75,000	10.5	790
Totals [5]	**866,000[5]**	**8.6**	**7,450[5]**	**434,000[5]**	**8.5**	**3,710[5]**

* Estimates are as of November 28, 2009, and are for gold only. The NI 43-101 Inferred Resource reported by Cooper (2002) established silver/gold ratios ranging from 2:1 to 6:1, averaging approximately 4:1.

Notes:
1– estimated from polygons constructed on longitudinal sections around the veins in (a) underground tunnel workings surveyed and sampled by Eastern, (b) Cadan's current underground workings and (c) diamond drill intersections - with nominal 1m vein widths except where drill intersections indicate otherwise, and assumed SG of 2.5.

2 – assignment of grades to polygons based on perusal of assay results for (a) tunnel samples (diluted to 1m width with the wall rock assigned a grade of 0.5g/t Au and 40g/t Au top cut), (b) Cadan's sampling results from current underground workings and (c) vein intersection assay results in drill holes within the polygons – acceptable practice in operating narrow vein gold mines.

3 – projection of "Indicated" polygons nominally 50m down dip and along strike into areas with obvious potential but no data.

4 – grades assigned at the average grade of polygons making up the "Data Supported" estimates.

5 – includes 25% mining dilution at 0.5g/t Au.

The NI 43-101 Technical Report was prepared by Mr. Kevin Shultz, FAusIMM(CP), a consulting mining engineer and geologist and Fellow of the Australasian Institute of Mining & Metallurgy (Chartered Professional) with more than 35 years experience in Australia, Western USA, Canada, Papua New Guinea, Tanzania, and other African countries.

Tagpura Porphyry Copper-Gold

Resource definition drilling at the Tagpura porphyry skarn copper-gold project located in Comval, East Mindanao, Philippines, is now completed. The eight hole program started in early September 2010, using the 100% company owned LY 24 drill rig. As of the end of Q3 all results have been received.. Refer to tabulation below.

	COORDINATES N	E	RL	DIP	AZIMUTH	FROM	TO	COPPER	GOLD GM/T
Hole 108	827400	845720	415.8	46	86	0	106	0.65%	-
Hole 109	827350	845750	415.0	60	95	2	100	0.32%	-
Hole 110	827401	845775	453.8	62	91	4	25	1.59%	0.4
Hole 111	827451	845738	465.9	60	93	2	71	0.30%	-
Hole 112	827508	845721	449.1	59	91	2	79	1.26%	0.4
Hole 113	827564	845727	487.5	59	90	2	137	0.77%	0.3
Hole 114	827456	845766	470.9	81	87	31	37	0.29%	-
Hole 115	827350	845771	418.9	60	92	4	38	0.41%	-
						49	52	0.33%	-

Visual inspection of the high grade skarn zone, from the core, shows magnetite and garnet skarn hosting chalcopyrite and chalcocite mineralization (See Figure 4 below).

As stated in the press release drill site preparation 100 meters north of drilled area has discovered massive magnetite-chalcopyrite/chalcocite mineralization. Surface mapping has exposed magnetite some 300m to the south. Together this strike extension of 400 m will require further drilling.

Figure 4 – TGD 108 - copper mineralization in porphyry skarn

The Tagpura porphyry skarn zone has an indicated *"conceptual or order of magnitude"* potential tonnage range of 10 million to 15 million tonnes, with a potential grade range of 0.50% copper and 0.20 g/t gold to 0.70% copper and 0.31 g/t gold. (See News Release, dated Tuesday, August 5, 2008).

Sufficient work has now been completed to allow the calculation of a NI 43-101 compliant resource over drilled strike length.

Near term production and early positive cash flow is possible from the Tagpura porphyry skarn, which demonstrates an additional style of mineralization that may be particularly suitable for "bacterial heap leaching". An initial metallurgical test has indicated heap leach amenability. Further analysis of this is underway. A bacterial heap leach operation, with a start up capacity of 2 Mt per year is being reviewed, with an initial supporting potential tonnage range of some 10Mt to 20Mt.

An initial five to 10 year plus mine life is thus envisaged, from the Tagpura porphyry skarn alone, with low cost metal production.

The Tagpura porphyry skarn high grade zone is located within an existing open pit. This enables the "box cut" mining method to be considered the most appropriate approach, particularly as there is no overburden to remove, and thus mining costs are optimized.

7. Exploration

On June 1, 2010, the Company announced that the NI 43-101 compliant Technical Report, released on May 11, 2010, on its Comval Projects, located in the Eastern Mindanao mineral belt of the Philippines, has highlighted a mineralized corridor some 14 km long by 2.5 km wide, within which lies a group of six regionally significant gold prospects and which has the potential for a regionally significant gold discovery.

Highlights:

- ❖ The NI 43-101 Qualified Person, Mr. Kevin Shultz FAusIMM (CP), has reviewed Cadan's potential for large tonnage stockwork gold deposits at the Company's Batoto and Tarale gold stockworks, and four other large areas of partly defined gold stockworks.
- ❖ Mr. Schultz described the basic data for the compilation of the Batoto historical non NI 43-101 compliant resource of 39 million tonnes at 1.8g/t, for 2.1 million ounces.
- ❖ He stated that the mineralization may extend another one kilometer to the southwest from Batoto and link with the large Santa Fe gold stockwork. He further stated that, since 2003, Cadan has exposed 80 gold bearing veins in an area 2.5km by 3.0km at Batoto, and that, in 1981, 80,000 tonnes was mined and processed at Batoto at a grade of 4-5g/t Au.
- ❖ Selective mining at Tarale in 2004/5 of 3,275 tonnes returned an average of 5.9g/t Au at 90% recoveries. The Tarale system is 700m south of Batoto and samples as high as 780g/t have been recorded.
- ❖ Two bulk samples from the Santa Fe stockwork (11.6 tonnes and 50 tonnes) have averaged 3.9g/t Au and 3.17g/t Au respectively.
- ❖ The Surigaonon stockwork was assigned a historical non NI 43-101 compliant resource of 2.85 million tonnes at 2.1g/t Au.
- ❖ Mr. Schultz stated that exploration was far from complete and the ComVal projects offer the potential for the discovery of regionally significant epithermal gold systems.
- ❖ Reconnaissance exploration some 3km north of the main gold stockworks has defined an area 6km by 2km with widespread gold occurrence in drainage systems, intense red clay alteration, an interpreted collapse structure some 500m in diameter and anomalous bulk leach extractable gold samples. This area remains virtually unexplored.

The Batoto Gold Prospect

The results for the six holes sent for analysis in the previous quarter have now been received and the significant intercepts include:

Hole Number	From	To	Width	Au g/t
BDDH-07	110	120	10	0.68
BDDH-08	60	79	19	0.43
BDDH-08	88	111.4	23.4	0.52
BDDH-09	104	111	7	0.88
BDDH-10E	30	31	1	12.3
BDDH-10E	121	122	1	15.3
BDDH-11	108	127	19	0.65
BDDH-12	82	102	20	0.43
BDDH-14	5	21	16	0.60
	28	34	6	0.54
BDDH-15	2	18	16	1.17
	23	29	5	0.27
	33	37	4	1.12
	43	45	2	0.8
	49	55	6	0.51
	157	157	3	6.4

The Batoto gold prospect, 150m by 400m, is a stockwork of quartz veins associated with locally intense quartz pyrite-sericite argillic alteration cropping out around the spur of a mountain ridge between elevations 400m and 800m above sea level. Gold mineralization occurs within a west-southwest trending zone known as the Clark Mineralized Zone ("CMZ"). Workings of local indigenous people within the CMZ are exposed over about 1 kilometer in a west-southwesterly direction from the northeastern point of the spur but the mineralization may extend at least another kilometer to the west-southwest and link with the Santa Fe gold prospect.

Identified in 1980 by Sabena Mining Corporation, it was explored by 787 rock chip samples from some 7,000m of road cuts, systematic trenches and 400m of adits, drifts and cross cuts, reportedly averaging 1.6g/t Au and giving rise to a number of historic "ore reserve" estimates. In 1981, one estimate by geological consultants amounted to 39 million tonnes at 1.8g/t Au, for 2.1 million ounces of gold. It should be noted that the foregoing historic "ore reserve" estimate was not prepared in accordance with CIM standards. Further, a qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves. The Company is not treating the historical estimate as current mineral resources or mineral reserves as defined in sections 1.2 and 1.3 of NI 43-101, and the historical estimate should not be relied upon. The foregoing historical resource is non compliant and should only be considered as indicative of mineralization potential.

In 1981, Sabena Mining Corporation constructed a 500t/d gold processing plant and mined and processed approximately 80,000t from a small open cut on the Batoto prospect. The ore was reported to have a grade of 4-5g/t Au, with the material between the main veins appearing to be pervasively mineralized and averaging about 1.4g/t Au.

Drilling at Batoto has now advanced to a stage where interpretation has identified a number of discrete higher grade flat plunging zones within the overall stockwork system. Future drilling will be designed to accommodate this new interpretation.

8. Outlook

The exploration program of the Comval project is designed to expand the size of the potential bulk tonnage and open pit resources.

The Company is implementing a "validation work program" over a large gold-silver stockwork system, now covering some 15 km x 3km, within which lies the Batoto gold target, with a historic Philippine resource of some **39Mt @ 1.8g/t gold, for some two million ounces of gold.** (See section on Batoto-Tarale gold).

Of the copper-gold styles of mineralization, the porphyry breccia and the skarn zones have the potential for bulk tonnage deposits. The total extent of the mineralization is currently unknown, beyond the potential for the porphyry copper-gold mineralization to host between 1 and 1.7Bt and the skarn copper-gold mineralization to host between 10Mt and 20Mt.

Drill targeting will be multidisciplinary, with the highest priority given to targets where geological, geochemical and geophysical parameters are coincident.

9. Qualifications

Technical aspects of this MD&A were prepared and verified by William Donald Goode, a member of the AusIMM and Technical Director of Cadan Resources. He is the qualified person, as required by National Instrument 43-101, and is the technical person responsible for this MD&A. The qualified person has verified the data disclosed in this MD&A.

Mr. Goode is a graduate of the West Australian School of Mines in Mining Geology and Mine Surveying and holds a current Underground Supervisor's Certificate of Competency. He has more than 45 years' experience in geology, mining and mineral exploration, including resource calculations. His experience covers gold, silver, base metals and uranium exploration and mining in Australia and Asia.

He previously held the position of Chief Geologist at Lake View and Star's Fimiston underground gold mine and was assistant Chief Geologist for Great Boulder Mine's three underground nickel mines, where he gained extensive experience in nickel exploration. He was Chief Mine Geologist for Metals Exploration in the Philippines (1974-76) and Australia.

Since 1981, he has worked as a consulting geologist and owned and operated underground gold mines. During this period, he conducted resource calculations for several major international mining companies. Mr. Goode also has industry experience in financing and prospect identification, ranging from the development to the pre-mining feasibility stage.

10. Financial Data

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company prepared in accordance with International Financial Reporting Standards ("IFRS").

These are the Company's second IFRS condensed consolidated interim financial statements for the second quarter of the period covered by the first IFRS annual financial statements to be presented in accordance with IFRS for the year ending December 31, 2011, and IFRS 1 First-Time Adoption of IFRS has been applied. The impact of the transition from Canadian Generally Accepted Accounting Principles (GAAP) to IFRS is explained in note 13 of the financial statements.

All amounts in Cdn$,000, except per share data	Nine months ended Sept 30	Years ended December 31,		
	2011 $	2010 $	2009 * $	2008 ** $
Operations:				
Revenues	-	-	-	-
Net Loss and Comprehensive Loss	(1,998)	(1,955)	(1,498)	(820)
Loss per share	(0.03)	(0.02)	(0.05)	(0.03)
Dividends per share	-	-	-	-
Balance Sheet:				
Working capital/(deficit)	313	5,711	529	368
Total assets	31,766	32,601	20,102	16,223
Total Long-term liabilities	-	-	(39)	-

* Operations amounts are presented in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") whereas Balance Sheet amounts are presented in accordance with International Financial Reporting Standards ("IFRS") as at December 31, 2009 and for the year then ended.

** Disclosures as at December 31, 2008, and for the year then ended, are presented in accordance with Generally Accepted Accounting Principles ("GAAP")

The following selected financial information is derived from the unaudited consolidated financial statements of the Company prepared in accordance with Canadian GAAP, with the exception of the quarter ended June 30, 2011, March 31, 2011, and 2010 and year ended December 31, 2010 (audited) which are prepared in accordance with IFRS.

	2011			2010			
Quarters ended	Sept 30 $	June 30 $	Mar 31 $	Dec 31 $	Sept 30 $	Jun 30 $	Mar 31 $
Operations:							
Revenues	-	-	-	-	-	-	-
Net Loss and Comprehensive Loss	(679)	(660)	(659)	(1,956)	(363)	(304)	(425)
Loss per share	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)
Dividends	-	-	-	-	-	-	-
Balance Sheet:							
Working capital	313	1,201	3,481	5,711	1,053	944	2,430
Total assets	31,765	31,067	31,661	32,601	25,204	23,265	23,591
Total long-term liabilities	-	(107)	(84)	-	-	-	(42)

Results of Operations

For the quarter ended September 30, 2011, Cadan reported a consolidated operating loss of $679,318 compared to net loss of $308,335 for the quarter ended September 30, 2010. The $370,983 increase is attributed to fluctuations in foreign exchange, increases in consulting and professional fees, offset by reductions in office and miscellaneous expenses. Further explanations of the variances are:

- Consulting fees for the quarter ended September 30, 2011, were $179,825 higher, primarily due to increased compensation to the contract officers.
- Stock-based compensation costs for the quarter ended September 30, 2011, were $152,960 (2010 - $Nil). Stock options were granted to senior officers in our Philippine affiliates. The exercise price of the options is $0.45 each, exercisable until September 21, 2016. The fair value of stock options granted was $152,960 ($0.20 each), as estimated at the date of grant using the Black-Scholes option pricing model.
- Legal and professional fees for the quarter ended September 30, 2011, were, $107,566 higher, primarily due to fees related to the reorganization undertaken in Q1.
- Deferred tax recovery for the quarter ended September 30, 2011, was $107,467 (2010 - $55,498)

Partially offset by:

- Foreign exchange losses for the quarter ended September 30, 2011, were $35,339 (2010 - 40,865), due to weakening of the Philippine peso against the Canadian dollar.
- Office and miscellaneous costs for the quarter ended September 30, 2011, were $11,873 lower than 2010.

Liquidity and Capital Resources

At September 30, 2011, the Company had cash of $255,533 (December 31, 2010 - $6,481,045) amounts and advances receivable of $75,861 (December 31, 2010 - $51,437), prepaid expenses of $246,769 (December 31, 2010 - $32,289), accounts payable and accrued liabilities of $265,172 (December 31, 2010 - $656,648), and amounts due to related parties of $Nil (December 31, 2010 - $196,932). The accounts payable are all due within three months of the year-end. The Company will require significant cash funding to conduct its exploration programs, meet its administrative overhead costs and maintain its resource interests in 2011. This will require the Company to obtain additional financing. The Company invests surplus cash in guaranteed investment certificates with Bank of Montreal and faces no known liquidity issues.

Historically, the Company's main source of funding has been through equity issuances and the Company expects that sale of equity will continue to provide the majority of its funding. The Company will continue to consider all sources of finance reasonably available to it, including sale of assets in whole or in part, including mineral property sales. There can be no assurance of continued access to finance in the future, and an inability to secure financing may require the Company to reduce or defer exploration and development activities.

FINANCIAL INSTRUMENTS

The Company has classified its cash as at FVTPL; cash equivalents and amounts and advances receivable (excluding HST receivable) as loans and receivables; and accounts payable and accrued liabilities, and due to related parties, as other financial liabilities.

The carrying values of cash equivalents, amounts and advances receivable (excluding HST receivable), and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The carrying values of amounts due to related parties approximates their fair value given the amounts are due on demand.

a) Credit risk

The Company is exposed to credit risk with respect to its cash and cash equivalents. Cash and cash equivalents have been placed on deposit with major Canadian, Philippine, Australian and Colombian financial institutions. The risk arises from the non-performance of counterparties of contractual financial obligations. The Company is not exposed to significant credit risk on amounts and advances receivable (excluding HST receivable).

The Company manages credit risk, in respect of cash and cash equivalents, by maintaining deposits and guaranteed investment certificates at major financial institutions with strong investment-grade ratings. Concentration of credit risk exists with respect to the Company's cash and cash equivalents, as the majority of the amounts are held with only a few Canadian and Philippine financial institutions. The Company's concentration of credit risk and maximum exposure thereto, is as follows:

	September 30, 2011	**December 31, 2010**
Canadian	$ 52,845	$ 6,399,419
Philippine	200,333	76,468
Australian	2,355	5,158
Total cash and cash	$ 255,533	$ 6,481,045

b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash consists of cash held in bank accounts. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of September 30, 2011, and 2010. Future cash flows from interest income on cash will not be material. The Company manages interest rate risk by investing in highly liquid investments with maturities of one year or less.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars.

The Company is exposed to foreign currency risk with respect to cash and cash equivalents, accounts payable and accrued liabilities, and amounts due to related parties as a portion of these amounts are denominated in Philippine pesos as follows:

	September 30, 2011	**December 31, 2010**
Cash and cash equivalents	8,449,317	3,355,344
Accounts payable and accrued liabilities	(775,637)	(2,706,391)
Amounts due to related parties	-	(2,359,041)
Net exposure	7,673,680	(1,710,088)
Canadian dollar equivalent	181,943	$ (38,973)

The Company manages foreign currency risk by only holding funds in foreign currencies for short-term requirements of no more than two months. The Company has not entered into any foreign currency contracts and does not utilize derivatives to mitigate this risk.

The results of reasonably expected 1% fluctuation in the value of the Philippine peso at September 30, 2011, based on fluctuation during the quarter, would result in approximately a $1,800 (September 30, 2010 - $11,000) effect on net loss and comprehensive loss.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities. Accounts payable are all due within three months of the quarter-end, and amounts due to related parties are without specific terms of repayment; however, amounts are expected to be repaid within one year. The Company will require significant cash funding to conduct its exploration programs, meet its administrative overhead costs and maintain its resource interests. This will require the Company to obtain additional financing in 2011.

Use of Financial Instruments

The Majority of the Company's cash at September, 2011, was held in the form of demand deposits with Canadian banks. The Company's only other financial instruments were accounts receivable (excluding HST receivable) and its accounts payable and accrued liabilities.

The carrying amounts of the Company's cash, accounts receivable (excluding HST receivable) and accounts payable and accrued liabilities are estimated to reasonably approximate their fair values. The Company holds no derivative instruments, and has not employed any hedging activities. The fair values of all of the Company's financial instruments measured at September 30, 2011, conform to IFRS.

When the Company invests excess cash, it invests in demand deposits and term deposits with major financial institutions, and management believes the exposure to credit risk with respect to such institutions is not significant.

The Company currently has only limited exposure through its financial instruments to fluctuations in exchange rates between the Canadian dollar and the Philippine Peso with respect to cash, accounts payable and accrued liabilities as a portion of these amounts are denominated in Philippine pesos.

Financial Condition and Capital Resources

During the quarter ended September 30, 2011, the Company raised $1.4 million (2010, $14.3 million) to continue to provide financial support to the Philippine companies, in particular its partially-owned affiliates, PMC, BRC, TMC, for these affiliates to continue the exploration and development of their projects in the Comval in northern Mindanao and in T'Boli in southern Mindanao.

At September 30, 2011, the Company had working capital of approximately $312,991 (December 31, 2010, $5,711,191).

Financial resources were provided to the Philippine affiliates to progress their projects but particular focus was placed on exploration and development of the T'Boli gold-silver deposit. In total $5.1 million, was spent on the projects in the nine months ended September 30, 2011, with $4.8 million spent on exploration and development and $420,000 on property plant and equipment. Approximately $3.5 million of the exploration and development was spent on the T'Boli Gold project, and $278,000 of the property plant and equipment funding, was used in the T'Boli gold processing plant.

The Company is continuing to progress all three of its projects in the Philippines: developing its T'Boli gold-silver mine, including: completing the construction of the processing facility and continuing the underground development of the mine, as we progress towards production; advancing its Tagpura porphyry copper-gold project; and drilling at its Batoto gold prospect.

Exploration and Evaluation Costs Capitalized throughout 2011

Through its subsidiaries and the Philippine affiliates, the Company has interests in certain permits and licenses to explore and develop mineral properties located in the Philippines (see table below). During the nine months ended September 30, 2011, the Philippine affiliate companies spent the following amounts developing the properties.

	Panag, Suraganon and Tagpura	Batoto	T'Boli	2011 Total
Acquisition costs	1,031,287	1,029,478	1,041,061	3,101,826
Deferred exploration costs				
Balance, beginning of of period	9,074,959	5,057,730	6,707,012	20,839,701
Incurred during period				
Assaying	20,247	-	30,959	51,206
Community development	16,596	35,558	118,644	170,798
Consultants	75,915	72,162	386,944	535,021
Depreciation and amortization	34,248	10,125	70,043	114,416
Drilling costs	202,628	1,550	474,065	678,243
Exploration and mineral processing	28,021	28,712	811,611	868,344
Field supplies and miscellaneous	170,794	152,920	1,159,883	1,483,597
Geological	90,394	63,101	139,324	292,819
Repair, Supplies & Materials	137,545	20,942	45,539	204,026
Taxes, licenses and fees	66,941	21,615	238,720	327,276
Transportation & Travel	32,917	9,049	140,640	182,606
Recovery on metal sales	-	-	(48,645)	(48,645)
	876,246	415,734	3,567,727	4,859,707

Related Party Transactions and Balances

During the nine months ended September 30, 2011, the Company incurred consulting fees for key management totaling $540,000 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. At September 30, 2011, the Company owed $Nil (December 31, 2010 - $185,440) to these 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.

Significant Accounting Policies and Estimates

The interim financial statements are unaudited and have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard

("IAS") 34 – "Interim Financial Reporting" and IFRS 1 – "First-time Adoption of IFRS," as they are part of the period covered by the Company's first IFRS financial statements for the year ending December 31, 2011.

Previously, the Company prepared its annual and interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Previous GAAP"). Previous GAAP differs in some areas from IFRS. The comparative figures from 2010 have been restated to reflect these adjustments. As these are the Company's third set of interim financial statements in accordance with IFRS, the Company's disclosures exceed the minimum requirements under IAS 34. The Company presents its accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's 2010 annual financial statements prepared in accordance with previous GAAP. In 2011 and beyond, the Company may not provide the same amount of disclosure in the Company's interim financial statements which will be prepared in accordance with IFRS.

Interim financial reporting do not include all of the information required for full annual financial statements.

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

Non-controlling interest in the net assets of consolidated partially owned Philippine affiliates are identified separately from the Company's equity. Non-controlling interest consists of the non- controlling interest at the date of the original business combination plus the non-controlling interest's share of changes in equity since the date of acquisition.

Investments in and Expenditures on Resource Properties

Once a permit or license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized on a property-by-property basis to investment in and expenditures on resource properties which are considered intangible assets. Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Management reviews the carrying value of capitalized exploration costs at least annually. In the case of undeveloped projects, there may be only inferred resources to form a basis for the impairment review. The review is based on a status report regarding the Company's intentions for development of the undeveloped property.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to property, plant and equipment.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project, net of any impairment provisions, are written off.

Provision for Reclamation Liability

The Company records a liability based on the best estimate of costs for site reclamation activities that the Company is legally or constructively required to remediate and the liability is recognized at the time environmental disturbance occurs. The resulting costs are capitalized to the corresponding asset. The provision for reclamation liabilities is estimated using expected cash flows, discounted at a pre-tax rate specific to the liability. The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future reclamation cash flows.

Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost.

Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred.

Principles of consolidation

The Company follows the criteria under IAS 27 "Consolidated and Separate Financial Statements" and SIC 12, "Consolidation – Special Purpose Entities". All significant intercompany balances and transactions have been eliminated on consolidation. Non-controlling interest in the net assets of consolidated partially owned Philippine affiliates are identified separately from the Company's equity. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share of changes in equity since the date of acquisition.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods using the graded vesting method. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the recorded value in contributed surplus is transferred to share capital. Upon expiry, the recorded value is transferred to deficit.

11. Risks and Uncertainties

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 explorations, meet its administrative overhead and maintain its resource interests. The Company's ability to continue as a going concern is dependent on its ability to secure additional financing to fund planned exploration and its ongoing administrative 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.

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.

The Company is in compliance with all material regulations applicable to its exploration activities. Existing and possible future environmental legislation, regulations, and actions, could cause additional expense, capital expenditures, restrictions, and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The Company's resource properties are located in the Philippines and, consequently, are subject to certain risks, including currency fluctuations and possible political and economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations to the mining industry.

12. Shareholder information

Common Shares

The Company has authorized an unlimited number of common shares without par value and at September 30, 2011, 61,999,515 (December 31, 2010 - 57,179,608) common shares were issued and outstanding.

On September 2, 2011, the Company completed the first tranche of a private placement financing of up to 8,333,333 units at a price of $0.30 for gross proceeds of $2,500,000, having sold 4,560,667 units for gross proceeds of $1,368,200. Each unit consists of one share and one share purchase warrant, with each warrant exercisable to acquire an additional share for a period of 2 years from the closing date at a price of $0.45.

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 August 23, 2011. The Company paid finders' fees to finders in connection with the financing of cash $73,666, issued 123,080 finders units with a fair value of $116,926, issued non-transferable finders' warrants with a fair value of $185,346, entitling the holders to purchase up to 448,453 common shares, at a price of $0.95 per share until August 23, 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 1.19%; volatility of 98.6%; expected life of eighteen months; and dividend yield of nil.

On April 14, 2010, option holders exercised options and purchased 100,000 common shares at $0.50 per share for gross proceeds of $50,000.

On September 15, 2010, the Company completed the first tranche of a non-brokered private placement consisting of 1,953,846 units priced at $0.65 per unit, for gross proceeds of $1,270,000. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at a price of $1.00 for the first two years from the Closing date and at a price of $1.25 for the following three years. The Company paid finders' fees in connection with the financing in cash of $72,800, issued 7,000 finders' units with a fair value of $4,550, issued non-transferable finders' warrants with a fair value of $60,416, entitling the holders to purchase up to 119,000 common shares at a price of $1.00 per warrant until September 15, 2012, and a price of $1.25 per warrant until September 15, 2015. Other cash share issuance costs in the amount of $26,178 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 2.25%; volatility of 87.38%; expected life of 5 years; and dividend yield of nil.

On October 18, 2010, the Company completed the second and final tranche of a non-brokered private placement consisting of 2,746,171 units priced at $0.65 per unit, for gross proceeds of $1,785,011. When combined with the first tranche, the Company issued a total of 4,700,017 units, for gross proceeds of $3,055,011. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at a price of $1.00 for the first two years and at a price of $1.25 for the subsequent three years. In connection with the second tranche, the Company paid finders' fees in cash of $75,496, issued 58,935 finders units with a fair value of $38,307, issued non-transferable finders' warrants with a fair value of $80,695, entitling the holders to purchase up to 175,082 common shares at a price of $1.00 per warrant share until September 15, 2012, and a price of $1.25 per warrant share until September 15, 2015. Other cash share issuance costs in the amount of $9,996 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 1.91%; volatility of 83.44%; expected life of 5 years; and dividend yield of nil.

On December 8, 2010, the Company completed a non-brokered private placement consisting of 11,000,000 units priced at $0.65 per unit, for gross proceeds of $7,150,000. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at a price of $1.10 for two years from the closing date. In connection with the private placement, the Company has issued 1,100,000 finders' units with a value of $715,000 representing 10% of gross proceeds. Other cash share issuance costs in the amount of $32,879 were also incurred by the Company related to this placement.

During the year ended December 31, 2010, warrant holders exercised warrants and purchased 50,000 common shares at $0.75 per share for gross proceeds of $37,500, 20,000 common shares at $0.80 per share for gross proceeds of $16,000, and 126,000 common shares at $0.50 per share for gross proceeds of $63,000.

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 restrictions imposed by the TSX Venture Exchange. Stock options awarded have a maximum term of ten years. The vesting terms of the option are determined by the directors, however, options granted to investor relations consultants are subject to a minimum twelve-month vesting schedule whereby no more than 25% vest in any three-month period.

At September 30, 2011, there were 4,006,900 (December 31, 2010, 3, 237,000) incentive stock options to purchase common shares between $0.45 and $0.95 that expire between September 2014 and September 2016.

On September 21, 2011, the Company granted 750,000 fully vested incentive stock options. The exercise price of the options is $0.45 each, exercisable until September 21, 2016. The fair value of stock options granted was $152,960 ($0.20 each), as estimated at the date of grant using the Black-Scholes option pricing model.

On April 5, 2011, the Company granted 450,000 fully vested incentive stock options. The exercise price of the options is $0.63 each, exercisable until April 15, 2014. The fair value of stock options granted was $189,445 ($0.42 each), as estimated at the date of grant using the Black-Scholes option pricing model.

Total stock-based compensation recognized during the nine month period ended September 30, 2011, with respect to options, was $342,405 (2010 - $102,630). The options were granted to consultants.

As of the date of this report, there were a total of 4,006,900 stock options outstanding with exercise prices of between $0.45 and $0.95 per share.

Warrants

At September 30, 2011, there were 30,300,701 (December 31, 2010, 34,906,090) warrants to purchase common shares outstanding, with exercise prices between $0.45 per share and $1.50 per share, that expire between October 31, 2012, and October 18, 2015.

During the nine months ended September 30, 2011, the Company completed the first tranche of a non-brokered private placement consisting of 4,560,667 units priced at $0.30 per unit, for gross proceeds of $1,368,200. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at a price of $0.45 for two years from the Closing date.

As of the date of this report, there are a total of 30,300,701 warrants outstanding with exercise prices of between $0.80 and $1.50 per share that expire between October 31, 2012, and October 18, 2015.

CONTINGENT LIABILITY

In September 2011, an Australian company filed, in Singapore, a Notice of Arbitration (the "Notice") against the Company and one of its Philippine Affiliates claiming the Company owed them AUD$714,924. The Company and its legal advisors strongly dispute the claims and consider that the Company is not liable for the claim. The Company has filed a response to the Notice requesting the claim be dismissed for lack of cause of action.

SUBSEQUENT EVENT

In November 2011, the Company announced that it has signed a binding Heads of Agreement with Mining Group Limited ("Mining Group" or "MGL") whereby Mining Group may acquire an 80% interest in the Comval copper-gold project located in the Compostella Valley, Philippines. Cadan will retain a 20% interest which is free and carried until the Mining Group has incurred a minimum of AUD$48 million of expenditures on the Comval Project. Pursuant to the terms of the Heads of Agreement, Mining Group may acquire an 80% interest in Philco Mining Corporation ("PMC") by:

- paying AUD$1,000,000 to Cadan as a secured loan to be credited in full towards the purchase price. In the event that the transaction with MGL does not proceed, the loan is repayable in 12 months plus accrued interest at the rate of LIBOR plus 2%. Cadan has granted MGL security over the shares of PMC and EP2 as security for the Loan;
- at closing, MGL will pay to Cadan a further AUD$2,000,000 and issue 2,600,000 fully paid ordinary shares of MGL;
- when (and if) MGL's share price trades at or above AUD$1 for 30 consecutive days, MGL will issue to Cadan a further 2,600,000 shares; and
- subject to certain conditions being met within 24 months of closing of the Transaction (which period may be extended by up to a further 24 months) MGL will pay a further AUD$1,000,000 to Cadan.