

Kat Exploration Limited
Financial Statements
(Unaudited)
August 31, 2011

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**Kat Exploration Limited
Review Engagement Report
(Unaudited)
August 31, 2011**

To the Directors

We have reviewed the balance sheet of Kat Exploration Ltd as at August 31, 2011 and the statements of earnings, retained earnings, and cash flows for the proceeding six months. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures, and discussion related to information supplied to us by the company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with generally accepted accounting principles.

Ken's Accounting Services

Kat Exploration Limited
Balance Sheet
August 31, 2011
(Unaudited)

| | 2011 | 2010 |
|---|-------------|-------------|
| Assets | | |
| Current | | |
| Bank | \$0 | \$9,768 |
| Accounts Receivable | 10,826 | 34,633 |
| Security Deposits | 35,400 | 37,850 |
| Prepaid Insurance | 0 | 23,519 |
| | 46,226 | 105,770 |
| Capital assets (Note 1 and 2) | 38,396 | 48,373 |
| Investment | 304,373 | 296,885 |
| | \$388,995 | \$451,028 |
| Liabilities and Shareholders' Equity | | |
| Current | | |
| Bank Overdraft | \$23,967 | \$0 |
| Accounts payable and accruals (Note 3) | 223,721 | 270,817 |
| Current Portion of loans (Note 5) | 11,054 | 5,988 |
| | 258,742 | 276,805 |
| Loans Payable (Note 5) | 20,599 | 31,240 |
| | 279,341 | 308,045 |
| Shareholders' Equity | | |
| Shareholder Common Shares (Note 6) | 2,742,410 | 2,486,768 |
| Retained earnings | (2,632,756) | (2,343,785) |
| | 109,654 | 142,983 |
| | \$388,995 | \$451,028 |

On behalf of the Board:

Director: _____

Kat Exploration Limited
Statement of Earnings
August 31, 2011
(Unaudited)

| | 2011 | 2010 |
|------------------------------------|--------------------|----------------------|
| Revenue | \$184,139 | \$16,755 |
| Expenses | | |
| Accommodation | 0 | 18,584 |
| Advertising | 21,704 | 64,175 |
| Amortization | 9,978 | 9,884 |
| Assay | 4,342 | 80,404 |
| Consulting Fees | 0 | 26,414 |
| Courier & Postage | 3,977 | 5,755 |
| Drilling | -8,000 | 252,725 |
| Excavator Equipment | 567 | 16,362 |
| Field Supplies | 88 | 18,253 |
| Geologist/Geophysics | 0 | 112,099 |
| Insurance | 20,963 | 25,910 |
| Interest and bank charges | 31,642 | 17,904 |
| Helicopter | 0 | 8,186 |
| Leased Equipment | 89 | 0 |
| Licence & Fees | 9,248 | 11,084 |
| Line Cutting & Trenching | 1,800 | 35,400 |
| Mapping | 0 | 8,928 |
| Office Supplies | 1,778 | 9,183 |
| Option Agreements | 0 | 70,000 |
| Professional fees | 115,710 | 323,898 |
| Recording Fees | 1,520 | 2,237 |
| Repairs and maintenance | 1,509 | 20,455 |
| Rent | 8,392 | 16,062 |
| Telephone | 8,901 | 12,922 |
| Travel / Entertainment | 592 | 26,222 |
| Vehicle operating | 2,549 | 16,748 |
| Wages and benefits | 235,761 | 750,726 |
| | <u>473,110</u> | <u>1,960,520</u> |
| Net earnings for the period | <u>(\$288,971)</u> | <u>(\$1,943,765)</u> |

Kat Exploration Limited
Statement of Retained Earnings
August 31, 2011
(Unaudited)

| | <u>2011</u> | <u>2010</u> |
|--|----------------------|----------------------|
| Retained earnings, beginning of period | (2,343,785) | (400,020) |
| Net earnings for the period | (288,971) | (1,943,765) |
| Retained earnings, end of period | <u>(\$2,632,756)</u> | <u>(\$2,343,785)</u> |

Kat Exploration Limited
Statement of Cash Flows
August 31, 2011
(Unaudited)

| | 2011 | 2010 |
|---|-----------|-------------|
| Cash flows from operating activities | | |
| Earnings from operations | (288,971) | (1,943,765) |
| Add item not involving an outlay of funds | | |
| Amortization | 9,978 | 9,884 |
| | (278,993) | (1,933,881) |
| Changes in non-cash working capital | | |
| Security Deposits | (2,450) | (33,800) |
| Accounts Receivable | (29,807) | (26,428) |
| Prepaid Insurance | (23,519) | (23,519) |
| Accounts payable | 44,480 | 204,083 |
| | (11,296) | 120,336 |
| Cash flows from investing activities | | |
| Purchase of capital assets | 6,488 | (298,131) |
| | 6,488 | (298,131) |
| Cash flows from financing activities | | |
| Shares | 255,642 | 2,061,479 |
| Increase in long term debt | (5,575) | (10,227) |
| | 250,067 | 2,051,252 |
| Net increase in cash | (33,734) | (60,424) |
| Cash at beginning of period | 9,767 | 70,191 |
| Cash at end of period | (23,967) | 9,767 |

Kat Exploration Limited
Statement of Stockholders Equity
August 31, 2011
(Unaudited)

| | Common Stock | Purchase Common Stock | Addition Common Stock | Retained Earnings | Total Stock Equity |
|---------------------------|-----------------|-----------------------------|-----------------------------|----------------------|--------------------------|
| Balance, at Nov 30, 2010 | 142,983 | | 0 | 0 | 142,983 |
| 1st Quarter Addition | | | 0 | (25,864) | (25,864) |
| 2nd Quarter Addition | | 255,642 | | (179,983) | 75,659 |
| 3th Quarter Addition | | | 0 | (83,124) | (83,124) |
| 4th Quarter Addition | | | 0 | 0 | 0 |
| Net Income for the period | | | | | |
| Balance, at Aug 31,2011 | 142,983 | 255,642 | 0 | -288,971 | 109,654 |

Note: The common stock issued has a par value of \$0.001.

Kat Exploration Limited
Notes to Financial Statements
August 31, 2011
(Unaudited)

The Company was incorporated under the laws of the Province of Newfoundland and Labrador on December 02, 2005. The company explores for mineral deposits.

1. Summary of significant accounting policies

The accounting policies of the company are in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Outlined below are those policies considered particularly significant.

Capital Assets and Amortization

Capital assets are recorded at cost. Amortization has been calculated using the declining balance method with rates as follows, except in the year of acquisition when one half of the rate is used.

| | |
|-----------|-----|
| Equipment | 20% |
| Computer | 30% |
| Vehicle | 30% |

2. Capital Assets

| | Rate | Cost | Accum Amort | Net Book Value | Net Book Value |
|-----------|------|-----------------|-----------------|-------------------|-------------------|
| Equipment | 20% | 21,506 | 11,234 | 10,272 | 12,083 |
| Computers | 30% | 16,925 | 7,752 | 9,173 | 11,836 |
| Vehicle | 30% | 41,098 | 22,147 | 18,951 | 24,454 |
| | | <u>\$79,529</u> | <u>\$41,133</u> | <u>\$38,396</u> | <u>\$48,373</u> |

3. Accounts Payable

| | 2011 | 2010 |
|-------------------|------------------|------------------|
| Accounts Payables | 223,721 | 270,817 |
| Net Payable | <u>\$223,721</u> | <u>\$270,817</u> |

Kat Exploration Limited
Notes to Financial Statements
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4. Security Deposits

This represents a \$60. refundable deposit to government for each claim staked. Once an assessment report has been submitted to the Department of Mines and Energy the company is eligible for a refund of \$50. per claim.

5. Long Term Debt:

Indcom Leasing Inc. Capital lease. Repayable in monthly instalments of \$182. including interest. Secures by specific equipment. Matures June 2010.

\$0 \$921

Loan due to Ford Credit, blended monthly installments of \$921.23, secured by 2010 F150 truck, maturing November 2015.

\$31,653 \$37,228

Total Loans
 Current Portion
 Long Term Portion

| | | |
|--|----------|----------|
| | 31,653 | 37,228 |
| | 11,054 | 5,988 |
| | \$20,599 | \$31,240 |

6. Shared Capital:

Authorized:

Unlimited number of no par value common shares.

Issued:

950,000,000 common shares authorized without any cash payment.

687,968,584 outstanding common shares.

402,252,705 float

Persons owning more than five percent (5%) of the issuer's securities.

| | | |
|-----------|--------------------|--------|
| Ken Stead | 132,262,784 shares | 18.90% |
| Tim Stead | 118,394,168 shares | 17.00% |

Kat Exploration Limited
Summary of Mineral Property Expenses
August 31, 2011
(Unaudited)

| Mineral Property | Number of Claims | 1st Qtr | 2nd Qtr | 3th Qtr | 4th Qtr | Total |
|------------------|---------------------|----------------|----------------|---------------|----------|----------------|
| Cabot | 138 | 0 | 0 | 0 | 0 | 0 |
| Collier's | 20 | 0 | 0 | 0 | 0 | 0 |
| Handcamp | 226 | 7,786 | 66,024 | 0 | 0 | 73,810 |
| Lucky | 55 | 0 | 0 | 0 | 0 | 0 |
| Rust Ridge | 185 | 951 | 0 | 0 | 0 | 951 |
| Twilite | 114 | 0 | 0 | 0 | 0 | 0 |
| Administration | | 117,127 | 198,097 | 83,125 | 0 | 398,349 |
| Total | 1,105 | 125,864 | 264,121 | 83,125 | 0 | 473,110 |