

**Kat Exploration Limited  
Financial Statements  
(Unaudited)  
February 28, 2011**

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( Unaudited )  
February 28, 2011**

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**Review Engagement Report  
( Unaudited )  
February 28, 2011**

To the Directors

We have reviewed the balance sheet of Kat Exploration Ltd as at February 28, 2011 and the statements of earnings, retained earnings, and cash flows for the proceeding twelve 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

**Balance Sheet**  
**February 28, 2011**  
**( Unaudited )**

	2011	2010
<b>Assets</b>		
Current		
Bank	1,290	9,768
Accounts Receivable	3,159	34,633
Security Deposits	37,850	37,850
Prepaid Insurance	16,894	23,519
	59,193	105,770
Capital assets (Note 1 and 2)	45,047	48,373
Investment	296,885	296,885
	401,125	451,028
<b>Liabilities and Shareholders' Equity</b>		
Current		
Accounts payable and accruals (Note 3)	249,542	270,817
Current Portion of loans (Note 5)	3,224	5,988
	252,766	276,805
Loans Payable (Note 5)	31,240	31,240
	284,006	308,045
Shareholders' Equity		
Shareholder Common Shares (Note 6)	2,486,768	2,486,768
Retained earnings	-2,369,649	-2,343,785
	117,119	142,983
	\$401,125	\$451,028

On behalf of the Board:

Director: \_\_\_\_\_

**February 28, 2011**  
**( Unaudited )**

	2011	2010
<b>Revenue</b>	\$100,000	\$16,755
<b>Expenses</b>		
Accommodation	0	18,584
Advertising	6,540	64,175
Amortization	3,325	9,884
Assay	2,809	80,404
Consulting Fees	0	26,414
Courier & Postage	1,471	5,755
Drilling	-8,000	252,725
Excavator Equipment	567	16,362
Field Supplies	88	18,253
Geologist/Geophysics	0	112,099
Insurance	6,802	25,910
Interest and bank charges	1,942	17,904
Helicopter	0	8,186
Leased Equipment	89	0
Licence & Fees	0	11,084
Line Cutting & Trenching	1,800	35,400
Mapping	0	8,928
Office Supplies	1,385	9,183
Option Agreements	0	70,000
Professional fees	14,870	323,898
Recording Fees	0	2,237
Repairs and maintenance	1,400	20,455
Rent	2,048	16,062
Telephone	3,208	12,922
Travel / Entertainment	122	26,222
Vehicle operating	2,549	16,748
Wages and benefits	82,849	750,726
	125,864	1,960,520
<b>Net earnings for the period</b>	<b>(\$25,864)</b>	<b>(\$1,943,765)</b>

( Unaudited )

	<u>2011</u>	<u>2010</u>
Retained earnings, beginning of period	-2,343,785	-400,020
Net earnings for the period	-25,864	-1,943,765
Retained earnings, end of period	<u>(\$2,369,649)</u>	<u>(\$2,343,785)</u>

( Unaudited )

	2011	2010
Cash flows from operating activities		
Earnings from operations	-25,864	-1,943,765
Add item not involving an outlay of funds		
Amortization	3,325	9,884
	<u>-22,539</u>	<u>-1,933,881</u>
Changes in non-cash working capital		
Security Deposits	0	-33,800
Accounts Receivable	31,474	-26,428
Prepaid Insurance	6,625	-23,519
Accounts payable	-21,273	204,083
	<u>16,826</u>	<u>120,336</u>
Cash flows from investing activities		
Purchase of capital assets	0	-298,131
	<u>0</u>	<u>-298,131</u>
Cash flows from financing activities		
Shares	0	2,061,479
Increase in long term debt	-2,764	-10,227
	<u>-2,764</u>	<u>2,051,252</u>
Net increase in cash	-8,477	-60,424
Cash at beginning of period	9,767	70,191
Cash at end of period	<u>1,290</u>	<u>9,767</u>

( 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		0		0	0
3th Quarter Addition		0		0	0
4th Quarter Addition		0		0	0
Net Income for the period					
Balance, at Feb 28,2011	<u>142,983</u>	<u>0</u>	<u>0</u>	<u>-25,864</u>	<u>117,119</u>

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

( 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	10,027	11,479	12,083
Computers	30%	16,925	5,977	10,948	11,836
Vehicle	30%	41,098	18,478	22,620	24,454
		<u>\$79,529</u>	<u>\$31,156</u>	<u>\$45,047</u>	<u>\$48,373</u>

**3. Accounts Payable**

	2011	2010
Accounts Payables	249,542	270,817
Net Payable	<u>\$249,542</u>	<u>\$270,817</u>

( Unaudited )

**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.

\$37,228                \$37,228

Total Loans  
Current Portion  
Long Term Portion

37,228	37,228
5,988	5,988
<u>\$31,240</u>	<u>\$31,240</u>

**6. Shared Capital:**

Authorized:

Unlimited number of no par value common shares.

Issued:

700,000,000 common shares authorized without any cash payment.  
641,603,664 outstanding common shares.

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%

( Unaudited )

Mineral Property	Number of Claims	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
Cabot	138	0	0	0	0	0
Clifton	346	0	0	0	0	0
Collier's	20	0	0	0	0	0
Handcamp	226	7,786	0	0	0	7,786
Lucky	55	0	0	0	0	0
Rust Ridge	185	951	0	0	0	951
Shaylee	21	0	0	0	0	0
Twilite	114	0	0	0	0	0
Administration		117,127	0	0	0	117,127
Total	1,105	125,864	0	0	0	125,864



















