

**CAVA RESOURCES INC.**

**Unaudited Interim Financial Statements**

**NINE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016**

### ***Management's responsibility for financial reporting***

The accompanying interim financial statements of Cava Resources Inc. (the "Company" or "Cava") were prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the interim condensed financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 3 of the interim financial statements.

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the interim condensed financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the interim condensed financial statements and (ii) the interim condensed financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of March 31, 2017 and for the periods presented by the interim condensed financial statements.

The Board of Directors is responsible for reviewing and approving the interim condensed financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the interim condensed financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the interim condensed financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

### ***Management's assessment of internal control over financial reporting ("ICFR")***

Management is also responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the financial statements.

*("signed")*  
(Robert Brian Murray)  
CEO

*("signed")*  
(John Hickey)  
CFO

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

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Institute of Chartered Public Accountants for a review of interim financial statements by an entity's auditor.

**CAVA RESOURCES INC.**  
**Unaudited Interim Statements of Financial Position**  
**As at**

	<b>March 31, 2017</b>	<b>June 30, 2016</b>
	<i>(unaudited)</i>	<i>(audited)</i>
<b>ASSETS</b>		
<b>Current</b>		
Cash (Note 5)	\$ 7,709	\$ 375,957
Subscription funds receivable (Note 18(a))	-	150,000
Accounts receivable (Note 6, Note 13(c))	30,731	14,064
GST/HST receivable (Note 7)	15,447	11,475
Prepaid expenses (Note 8)	218,120	23,120
	<b>272,007</b>	<b>574,616</b>
<b>Capital Assets</b> (Note 9)	3,229	422
<b>Deferred mineral acquisition costs</b> (Note 10)	174,147	170,474
	<b>\$ 449,383</b>	<b>\$ 745,512</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 13(b), Note 14)	\$ 74,216	\$ 155,435
Due to officers and directors (Note 13(a))	38,201	70,506
Due to consultant (Note 15)	-	50,000
	<b>112,417</b>	<b>275,941</b>
Going concern (Note 2)		
Commitment and contingency (Note 19)		
<b>SHAREHOLDERS' EQUITY</b>		
<b>Capital stock</b> (Note 18)	5,659,744	5,395,732
<b>Share-based payments reserve</b> (Note 18(d))	88,750	65,700
<b>Warrant reserve</b> (Note 18(e))	520,834	436,667
<b>Contributed surplus</b> (Note 18(f))	2,211,339	2,145,639
<b>Deficit</b>	(8,143,701)	(7,574,167)
	<b>336,966</b>	<b>469,571</b>
	<b>\$ 449,383</b>	<b>\$ 745,512</b>
<b>On behalf of the Board:</b>		
<i>"R. Brian Murray"</i>	<b>Director</b>	
<i>"John V. Hickey"</i>	<b>Director</b>	

**CAVA RESOURCES INC.**  
**Interim Statements of Loss and Comprehensive Loss**

(Unaudited)	Nine Months Ended March 31		Three Months Ended March 31	
	2017	2016	2017	2016
<b>Expenses</b>				
Exploration and evaluation expenditures (Note 16)	\$ 205	\$ 24,199	\$ -	\$ 20,000
Due diligence expenses	187,734	-	1,500	-
Management fees (Note 14)	63,600	-	9,000	-
Consulting fees	87,500	-	9,000	-
Professional fees	18,300	25,050	5,959	6,850
Stock-based compensation	145,679	-	55,831	-
Investor relations	19,436	2,573	-	-
Filing and transfer fees	18,845	21,363	6,544	11,448
General and administrative	26,823	28,065	3,655	2,405
Travel and promotion	1,071	-	-	-
Amortization	341	135	189	45
	<b>569,534</b>	101,385	<b>91,678</b>	40,748
<b>Net loss for the period</b>	<b>\$ (569,534)</b>	\$ (101,385)	<b>\$ (91,678)</b>	\$ (40,748)
<b>Loss per share (Note 4(q))</b>				
Basic and diluted	<b>\$ (0.04)</b>	\$ (0.05)	\$ (0.01)	\$ (0.02)
<b>Weighted average number of common shares</b>				
Basic and diluted	<b>15,921,039</b>	2,048,411	<b>15,921,039</b>	2,048,411

The accompanying notes are an integral part of these financial statements

**Cava Resources Inc.**  
**Unaudited Interim Statements of Changes in Equity**

	Share Capital Number of Shares (Note1)	Amount	Warrants Reserve	Share-based Payments Reserve	Contributed Surplus	Accumulated Deficit	Total
<b>Balance – June 30, 2014</b>	2,048,411	\$ 5,183,882	\$ -	\$ 84,400	\$ 2,126,939	\$ (7,260,772)	\$ 134,449
<b>Balance – July 1, 2014</b>	2,048,411	\$ 5,183,882	\$ -	\$ 84,400	\$ 2,126,939	\$ (7,260,772)	\$ 134,449
Expiration of stock options				(9,000)	9,000		-
Net loss and comprehensive loss for the year						(102,587)	(102,587)
<b>Balance – June 30, 2015</b>	2,048,411	\$ 5,183,882	\$ -	\$ 75,400	\$ 2,135,939	\$ (7,363,359)	\$ 31,862
<b>Balance – July 1, 2015</b>	2,048,411	\$ 5,183,882	\$ -	\$ 75,400	\$ 2,135,939	\$ (7,363,359)	\$ 31,862
Net loss and comprehensive loss for the period						(101,385)	(101,385)
Expiration of stock options				(9,700)	9,700		-
<b>Balance – March 31, 2016</b>	2,048,411	\$ 5,183,882	\$ -	\$ 65,700	\$ 2,145,639	\$ (7,464,944)	\$ (69,523)
Private placement	13,100,000	655,000					655,000
Valuation of warrants		(436,667)	436,667				-
Share issue costs		(6,483)					(6,483)
Net loss and comprehensive loss for the period						(109,223)	(109,223)
<b>Balance – June 30, 2016</b>	15,148,411	\$ 5,395,732	\$ 436,667	\$ 65,700	\$ 2,145,639	\$ (7,574,167)	\$ 469,571
<b>Balance – July 1, 2016</b>	15,148,411	\$ 5,395,732	\$ 436,667	\$ 65,700	\$ 2,145,639	\$ (7,574,167)	\$ 469,571
Private placement	750,000	150,000					150,000
Valuation of warrants		(100,000)	100,000				-
Stock-based compensation				145,679			145,679
Exercise of warrants	475,000	71,250					71,250
Fair value of warrants exercised		15,833	(15,833)				-
Exercise of stock options	550,000	70,000					70,000
Fair value of stock options exercised		56,929		(56,929)			-
Cancellation of stock options				(65,700)	65,700		-
Net loss and comprehensive loss for the period						(569,534)	(569,534)
<b>Balance – March 31, 2017</b>	16,923,411	\$ 5,659,744	\$ 520,834	\$ 88,750	\$ 2,211,339	\$ (8,143,701)	\$ 336,966

The accompanying notes are an integral part of these financial statements

**CAVA RESOURCES INC.**  
**Unaudited Interim Statements of Cash Flows**

(Unaudited)	Nine Months Ended March 31		Three Months Ended March 31	
	2017	2016	2017	2016
<b>OPERATING ACTIVITIES</b>				
Net income (loss) for the period	\$ (569,534)	\$ (101,385)	\$ (91,678)	\$ (40,748)
<b>Non cash items included in net loss</b>				
Stock-based compensation	145,679	-	55,831	-
Amortization	341	135	189	45
	<u>(423,514)</u>	<u>(101,250)</u>	<u>(35,658)</u>	<u>(40,703)</u>
<b>Changes in non cash working capital</b>				
Change in accounts payable and accrued liabilities	(81,219)	46,132	7,105	37,242
Change in accounts receivable	(16,667)	-	(9,887)	-
Change in prepaid expenses and deposits	(195,000)	-	(114,000)	-
Change in GST/HST/QST receivable	(3,972)	(2,147)	(3,249)	1,844
Change in mining and duty tax credits receivable	-	630	-	-
<b>Cash (used in) operating activities</b>	<u>(720,372)</u>	<u>(56,635)</u>	<u>(155,689)</u>	<u>(1,617)</u>
<b>INVESTING ACTIVITIES</b>				
Acquisition of deferred mineral acquisition costs	(3,673)	-	-	-
Purchase of office equipment	(3,148)	-	-	-
<b>Cash (used in) investing activities</b>	<u>(6,821)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FINANCING ACTIVITIES</b>				
Common shares issued on private placement	150,000	-	-	-
Stock options exercised	70,000	-	50,000	-
Warrants exercised	71,250	-	71,250	-
Subscription proceeds received	150,000	-	-	-
Due to consultant	(50,000)	-	-	-
Advances to director and officers	(32,305)	51,196	35,670	4,246
<b>Cash provided by financing activities</b>	<u>358,945</u>	<u>51,196</u>	<u>156,920</u>	<u>4,246</u>
<b>Increase (decrease) in cash during the period</b>	<b>(368,248)</b>	<b>(5,439)</b>	<b>1,231</b>	<b>2,629</b>
<b>Cash, beginning of period</b>	<b>375,957</b>	<b>7,230</b>	<b>6,478</b>	<b>(838)</b>
<b>Cash, end of period</b>	<u>\$ 7,709</u>	<u>\$ 1,791</u>	<u>\$ 7,709</u>	<u>\$ 1,791</u>

The accompanying notes are an integral part of these financial statements

**CAVA RESOURCES INC.**  
**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2017 AND 2016**

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**1. NATURE OF BUSINESS AND GOING CONCERN**

Cava Resources Inc. ("Company") is principally engaged in the acquisition, exploration, and development of mineral and oil and gas properties exclusively in Canada through direct and joint ventures as referred to in Note 12. The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain enough mineral deposits, such that their recovery would be economically viable. The Company trades on the TMX Venture Exchange under the symbol CVA. The address of the Company's corporate office and principal place of business is 65 Queen Street West, Suite 510, Toronto, Ontario, M2H 2M5, Canada.

On January 22, 2016, the Company announced that the articles of the Company had been amended to consolidate the issued and outstanding common shares of the Company on the basis of one post-consolidation Common Share for every ten pre-consolidation Common Shares. All share and per share amounts have been adjusted retroactively to reflect the share consolidation unless otherwise noted.

The Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties; however, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

**2. GOING CONCERN**

These financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations and the Company has incurred significant losses to date resulting in a cumulative deficit of \$8,143,701 as at March 31, 2017 (June 30, 2016 - \$7,574,167). The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. The Company is subject to risks and challenges similar to companies in a comparable stage of exploration and development. As a result of these risks, there is significant doubt as to the appropriateness of the going concern assumption. There is no assurance that the Company's funding initiatives will continue to be successful and these audited financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statements of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material. The Company will have to raise additional funds to advance its exploration and development efforts 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. As at March 31, 2017, the Company had current assets of \$272,007 (June 30, 2016 - \$574,616) to cover current liabilities of \$112,417 (June 30, 2016 - \$275,941).

**3. (a) STATEMENT OF COMPLIANCE**

These interim financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) using accounting policies in full compliance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC")

These financial statements were authorized for issuance by the Board of Directors of the Company on May 29, 2017.

**CAVA RESOURCES INC.**  
**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2017 AND 2016**

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**3. (b) BASIS OF PRESENTATION**

These interim financial statements have been prepared on a going concern basis, under the historical cost convention, except fair value through profit and loss assets which are carried at fair value, and have been prepared using the accrual basis of accounting, as explained in the accounting policies set out in Note 4.

These interim financial statements are presented in Canadian Dollars, which is the functional currency of the Company.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Mineral Properties**

Costs directly related to exploration and evaluation expenditures (“E&E”) are recognized and expensed. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs and share based payments to employees and consultants, are also expensed in the period in which they occur.

The acquisitions of mineral property interests are initially measured at cost. Mineral property acquisition costs and development expenditures incurred subsequent to the determination of the feasibility of mining operations and approval of development by the Company are capitalized until the property to which they relate is placed into production, sold or allowed to lapse.

Exploration and evaluation costs incurred prior to determination of the feasibility of mining operations are expensed as incurred.

Mineral property acquisition costs include the cash consideration and the fair market value of shares issued for mineral property interests pursuant to the terms of the relevant agreements. These costs will be amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse, or when an impairment of value has been determined to have occurred, together with the related exploration and evaluation expenditures.

Management annually assesses carrying values of properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if (1) the property has been abandoned; (2) there are unfavourable changes in the property economics; (3) there are restrictions on development; or (4) when there has been an undue delay in development, which exceeds three years. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

**b) Oil and Gas Properties**

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation asset and finance charges on qualifying assets.

Oil and gas properties are measured at cost less accumulated depletion and amortization and accumulated impairment losses. Oil and gas properties are depleted using the unit-of-production method over their reserve life, unless the useful life of the asset is less than the reserve life, in which case the asset is depreciated over its estimated useful life using the straight-line method.

Exploration and evaluation costs, net of incidental revenues, are charged to operations in the period incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Oil and Gas Properties (continued)

until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized to property, plant and equipment.

c) Decommissioning, Restoration and Other Similar Liabilities (Asset retirement obligation – ARO)

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with reclamation of mineral properties and property, plant and equipment, when those obligations result from the acquisition, construction, development, or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related mineral property asset in the case where technical feasibility has been established, and expensed if technical feasibility is yet to be established. Once capitalized, the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

d) Taxation

**Current Income Tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

**Deferred Income Tax**

The Company uses the asset and liabilities method to determine income tax and deferred tax.

Income tax expense is comprised of current and deferred tax expense. Current tax expense is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes, and are presented as non-current liabilities.

Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity. Income taxes are calculated using the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for tax losses and other deductions carried forward.

Deferred income tax assets and liabilities are calculated using substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. An asset is recognized on the statement of financial position when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. The effect on deferred tax assets and liabilities of changes in tax rates are recognized in income in the period in which the change is substantively enacted.

Deferred taxes are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

**CAVA RESOURCES INC.**  
**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2017 AND 2016**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**d) Taxation (continued)**

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position to the extent that it becomes probable that future taxable profit will allow the deferred asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current assets against current liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

**(e) Flow-Through Shares**

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration programs. Pursuant to the terms of flow-through share agreements, the Company agrees to incur qualifying expenditures and renounce the tax deductions associated with these qualifying expenditures to the flow-through subscribers at an agreed upon date.

Flow-through shares are reported at issue price. If the flow-through shares are issued at a premium to the market price of non-flow through or hard dollar shares at the date of announcement, such premium or excess proceeds is reported as a liability on the statements of financial position. The subsequent renunciation of such qualifying expenditures incurred by the Company in favor of the flow-through subscribers is reported as a reduction in the unrenounced flow-through share premium liability on the statements of financial position and a corresponding reduction in deferred tax expense on the statement of loss and comprehensive loss.

**f) Capital Assets**

Capital assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of capital assets consists of the purchase price, any costs directly attributable to bringing the asset to the location a condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used and any changes arising from the assessments are applied by the Company prospectively. Where an item of capital asset comprises major components with different useful lives, the components are accounted for as separate items. Expenditures incurred to replace a component of capital asset is accounted for separately, including major inspection and overhaul expenditures are capitalized.

Amortization on computer equipment is based on a rate of 30% declining balance and amortization on office equipment is based on a rate of 20% declining balance.

**g) Financial Assets**

Fair Value Through Profit or Loss

Financial assets that are held with the intention of generating profits in the near term and derivative contracts that are financial assets, except for a derivative that is a designated and effective hedging instrument, are classified as FVTPL. In addition, any other financial assets can be designated by the Company upon initial recognition as FVTPL. These instruments are subsequently re-measured at fair value with the change in the fair value recognized in income or expense during the year.

**CAVA RESOURCES INC.**  
**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2017 AND 2016**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**g) Financial Assets (continued)**

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transactions costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company's accounts receivable, mining and duty tax credits receivable, and GST/HST Receivable are classified as loans and receivables

Available-For-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Available-for-sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method is recognized in profit or loss.

Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities, which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

At March 31, 2017, the Company has not classified any financial assets as available-for-sale.

Held-to-Maturity Assets

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

Derecognition of Financial Assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

**h) Financial Liabilities**

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

Other Financial Liabilities

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method for calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, due to officers and directors are classified as other financial liabilities.

**CAVA RESOURCES INC.**  
**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2017 AND 2016**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**h) Financial Liabilities (continued)**

Fair Value Through Profit and Loss

Financial liabilities classified at FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive loss. At March 31, 2017, the Company has not classified any liabilities as FVTPL.

Derecognition of Financial Liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

**(i) Impairment of Financial Assets**

The Company assesses at each date of the statement of financial position whether a financial asset is impaired. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**Assets Carried at Amortized Cost**

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

**Available-for-Sale**

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

**j) Impairment of Non-Financial Assets**

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**j) Impairment of Non-Financial Assets (continued)**

yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest Company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating units exceed its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (Company of units) on a pro rata basis.

A previously recognized impairment loss may be reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount and is recognized in the statements of loss and comprehensive loss. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset.

**k) Cash**

Cash in the statement of financial position is comprised of cash held at Canadian banks.

**l) Provisions**

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks. Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur.

The Company did not have a rehabilitation provision as at March 31, 2017.

Other Provisions

Provisions are recognized when the Company has a future obligation (legal or constructive) that has arisen as a result of a past event and is probable that a future outflow of resources will be required to settle the obligation, provided a reliable estimate can be made of the amount of the obligation.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### l) Provisions (continued)

###### Other Provisions (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

The Company did not have any other provisions at March 31, 2017.

##### m) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

##### n) Significant Accounting Judgments and Estimates

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affects the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to asset retirement obligations; capital assets including gold reserves and resources, depreciation and depletion; recoverability of accounts receivable, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgments relate to recoverability of capitalized amounts, recognition of deferred tax assets and liabilities, determination of the commencement of commercial production and the determination of the economic viability of a project.

##### o) Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated to Canadian dollars by the using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.

Non-monetary assets and liabilities that are measured at fair value or a revalue amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### p) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

##### q) Loss Per Share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The treasury stock method is used for the assumed proceeds upon exercise of the options and warrants that are used to purchase common shares at the average market price during the year.

##### r) Share-Based Payments

Share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Under this method, the fair value of the equity-settled share-based payment is measured on the date of grant using the Black-Scholes option pricing model, and is recognized as an expense or capitalized, depending on the nature of the grant, with a corresponding increase in equity, over the period that the employees earn the options. For options that do not vest immediately, the fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period in which the options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest.

Equity-settled, share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility.

##### s) Comprehensive Income (Loss)

Comprehensive income is the change in equity of the Company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes to equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive income is comprised of net income or loss for the period and other comprehensive income. The standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in "other comprehensive income" until it is considered appropriate to recognize into net earnings

The Company had no comprehensive income or loss transactions, other than its net loss, nor has the Company accumulated other comprehensive income during periods that have been presented.

##### t) Leased Assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company ("finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the statement of comprehensive loss over the period of the lease and is so calculated so that it represents a constant portion of the lease liability. The capital element reduces the balance owed to the lessor.

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**t) Leased Assets (continued)**

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (“operating lease”), the total rentals payable under the lease are charged to the statement of comprehensive loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

**u) Standards, Amendments and Interpretations not yet Effective**

The IASB issued the following standards, which are not yet effective and have not been applied in the preparation of these financial statements. The Company is in the process of determining the extent of the impact on its financial statements.

(a) On May 6, 2014 the IASB issued Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The impact of adoption of the amendment has not yet been determined.

(b) On July 24, 2014 the IASB issued the complete IFRS 9. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The impact of adoption of the amendment has not yet been determined.

(c) On May 12, 2014, the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The amendments made to IAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset. The Company intends to adopt the amendments to IAS 16 in its financial statements for the annual period beginning on January, 2016. The impact of adoption of the amendment has not yet been determined.

(d) The amendments in IAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption could be overcome only when revenue and consumption of the economic benefits of the intangible asset are highly correlated or when the intangible asset is expressed as a measure of revenue. The Company intends to adopt the amendments to IAS 38 in its financial statements for the annual period beginning on January, 1 2016. The impact of adoption of the amendment has not yet been determined.

(e) The amendments in IAS 1 Presentation of Financial Statements clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration applies to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted. The Company is currently assessing the impact of this pronouncement.

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**5. CASH**

Cash at March 31, 2017 totaled \$7,709 and consisted of deposits with a Canadian bank in general non-interest-bearing accounts in the amount of \$4,134 (June 30, 2016 – \$160,784) and funds held in trust with the Company’s lawyer in the amount of \$3,575 (June 30, 2016 - \$215,173).

**6. ACCOUNTS RECEIVABLE**

The Company’s accounts receivable at March 31, 2017 in the amount of \$30,731 (June 30, 2016 - \$14,064) consists of joint venture project costs due from the Company’s venture partner on the Casa Berardi project of \$10,391 (June 30, 2016 – \$10,391) and rent due from co-tenants of \$20,340 (June 30, 2016 - \$3,673).

**7. GST/HST RECEIVABLE**

The Company’s receivable consists of Harmonized Goods and Services Tax (“GST/HST”) due from the Canadian government taxation authorities in the amount of \$15,447 at March 31, 2017 (June 30, 2016 - \$11,475).

**8. PREPAID EXPENSES**

Prepaid expenses at March 31, 2017 were \$218,120 (June 30, 2016 - \$23,120). This was comprised of premises rent paid in advance in accordance with the lease terms in the amount of \$23,120 (June 30, 2016 - \$23,120), advances for investor relations in the amount of \$25,000 (June 30, 2016 - \$Nil), exploration advances in the amount of \$120,000 (June 30, 2016 - \$Nil) and advances for due diligence in the amount of \$50,000 (June 30, 2016 - \$Nil).

**9. CAPITAL ASSETS**

	<b>Cost</b>	<b>Computer Equipment</b>	<b>Office Equipment</b>	<b>Total</b>
July 1, 2016		\$ 3,367	\$ -	\$ 3,367
Additions		-	3,148	3,148
March 31, 2017		\$ 3,367	\$ 3,148	\$ 6,515
<b>Accumulated Amortization</b>				
July 1, 2016		\$ 2,945	\$ -	\$ 2,945
Additions		95	246	341
March 31, 2017		\$ 3,040	\$ 246	\$ 3,096
<b>Net Book Value – March 31, 2017</b>		<b>\$ 327</b>	<b>\$ 2,902</b>	<b>\$ 3,229</b>
	<b>Cost</b>	<b>Computer Equipment</b>	<b>Office Equipment</b>	<b>Total</b>
July 1, 2015		\$ 3,367	\$ -	\$ 3,367
Additions		-	-	-
June 30, 2016		\$ 3,367	\$ -	\$ 3,367
<b>Accumulated Amortization</b>				
July 1, 2015		\$ 2,764	\$ -	\$ 2,764
Additions		181	-	181
June 30, 2016		\$ 2,945	\$ -	\$ 2,945
<b>Net Book Value – June 30, 2016</b>		<b>\$ 422</b>	<b>\$ -</b>	<b>\$ 422</b>

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**10. DEFERRED MINERAL RESOURCE ACQUISITION COSTS**

DEFERRED MINERAL ACQUISITION COSTS

Deferred mineral acquisition costs of the Company are comprised of the following projects:

	<u>Opening</u> <u>July 1, 2016</u>	<u>Net Additions</u>	<u>Writedown</u>	<u>Ending</u> <u>March 31, 2017</u>
Casa Berardi Project – Quebec, Canada	\$ 170,474	\$ 3,673	\$ -	\$ 174,147
	<u>\$ 170,474</u>	<u>\$ 3,673</u>	<u>\$ -</u>	<u>\$ 174,147</u>
	<u>Opening</u> <u>July 1, 2015</u>	<u>Net</u> <u>Additions</u>	<u>Writedown</u>	<u>Ending</u> <u>June 30, 2016</u>
Casa Berardi Project – Quebec, Canada	\$ 170,474	\$ -	\$ -	\$ 170,474
	<u>\$ 170,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,474</u>

**11. FINANCIAL INSTRUMENTS**

(a) Fair value of financial instruments

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash and cash equivalents and investments are considered Level 1 in the hierarchy. Accounts receivable, mining and duty tax credits receivable and GST/HST receivable is classified for accounting purposes as loans and receivables, which are measured at amortized cost which approximates fair value. Accounts payable and accrued liabilities, and due to directors and officers are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also approximates fair value. Fair value of accounts payable and accrued liabilities, and due to officers and directors are determined from transaction values which were derived from observable market inputs and fair values are based on level 2 measurements.

The Company has determined the fair value of its financial instruments as follows:

(i) The carrying values of cash, accounts receivable, mining and duty tax credits receivable, GST/HST receivable, accounts payable and accrued liabilities, and due to officers and directors approximate their fair values due to the short-term nature of these instruments.

(ii) Other financial assets are carried at amounts based on relevant stock market information.

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**11. FINANCIAL INSTRUMENTS (continued)**

These fair value estimates are subject to and involve uncertainties and significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(b) Risk Exposure

The Company may be exposed to risks of varying degrees of significance, which could affect its ability to achieve its strategic objectives. The main objective of the Company's risk management processes is to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The risks the Company is exposed to are described below:

- Capital risk

The Company manages its capital with the objective of providing adequate capital resources for the Company. The capital structure of the Company consists of shareholders' equity and depends on the ability of the Company to raise capital.

- Credit risk

Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed or owing by the Company. Management's assessment of the Company's credit risk is low as it is primarily attributable to funds held in Canadian banks, GST/HST receivable from the Government of Canada, and mining and duty tax credits receivable which are due from the province of Quebec.

- Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. There can be no assurance that the Company will be able to obtain adequate financing in the future. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms that are acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

- Market risk

Market risk incorporates a range of risks. Movements in risk factors, such as interest rate risk, currency risk, market price risk, and commodity price risk, affect the fair value of financial assets and liabilities.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk is minimal as there are no outstanding loans or interest-bearing debt. The Company's current policy is to deposit excess cash in non-interest-bearing accounts at its Canadian banking institutions.

*Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar as the majority of its transactions and operations are in Canada. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

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**11. FINANCIAL INSTRUMENTS (continued)**

*Market price risk*

The prices of metals and minerals fluctuate widely and are affected by many factors outside of the Company's control. The prices of metals and minerals and future expectation of such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies. This in turn may impact the Company's ability to raise equity financing for its long term working capital requirements.

*Commodity price risk*

The value of the Company's exploration and evaluation assets are related to the price of silver and other mineral commodities, and the outlook for this mineral. Adverse changes in the price of silver can also significantly impair the economic viability of the Company's projects, along with the ability to obtain future financing.

(c) Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes that movements at  $\pm 10\%$  are "reasonably possible" over a one-year period:

(i) The Company does not hold significant balances in foreign currencies to give rise to significant exposure to foreign exchange risk.

(ii) Price risk is remote since the Company is a non-producing entity.

The Company's other financial assets are subject to fair value fluctuations.

**12. CAPITAL MANAGEMENT**

In the management of capital, the Company includes capital stock, warrant reserve, share-based payment reserve, deficit, other accumulated comprehensive income, accounts payable and accrued liabilities, taxes payable, other liability and due to officers and directors.

The Company's objectives when managing capital are:

- (a) To safeguard the Company's financial capacity and liquidity for future earning in order to continue to provide an appropriate return to shareholders and other stakeholders;
- (b) To maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk; and
- (c) To enable the Company to maximize growth by meeting its capital expenditure budget, to expand its budget to accelerate projects, and to take advantage of acquisition opportunities.

The Company regularly monitors and reviews the amount of capital in proportion to risk and future development and exploration opportunities.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new debt, equity or similar instruments to reduce debt levels, adjust the amount of dividends paid to shareholders, or make adjustments to its capital

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**12. CAPITAL MANAGEMENT (continued)**

expenditure program.

There were no changes in the Company's approach to capital management during the period ended March 31, 2017. The Company is not subject to externally imposed capital requirements.

**13. RELATED PARTY TRANSACTIONS**

The following related party transactions are reflected in the financial statements:

	Nine months ended		Three months ended	
	March 31		March 31	
	2017	2016	2017	2016
Management fees charged by officers or Corporations controlled by officers for administrative and financial management services	\$ 63,600	\$ -	\$ 9,000	\$ -
Rental income (included in General and administrative expense)	\$ 9,550	\$ 2,500	\$ 9,550	\$ -

- (a) At March 31, 2017, the amount of \$38,201 (June 30, 2016 - \$70,506) is due to officers and directors of the Company.
- (b) At March 31, 2017, accounts payable included the amount of \$3,514 (June 30, 2016 - \$3,301) is due to a director of the Company.
- (c) At March 31, 2017, accounts receivable included rent receivable in the amount of \$12,204 (June 30, 2016 - \$1,412) that is due from a company with common directors.

**14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchase relating to exploration activities and administrative activities.

**15. DUE TO CONSULTANT**

The due to consultant is an unsecured interest-free advance and is payable on demand.

**16. EXPLORATION AND EVALUATION EXPENSES**

The exploration and evaluation costs reflected in the statement of loss are as follows:

	Nine months ended		Three months ended	
	March 31,		March 31	
	2017	2016	2017	2016
Casa Berardi Project –Quebec, Canada	\$ 205	\$ 24,199	\$ -	\$ 20,000
	\$ 205	\$ 4,199	\$ -	\$ -

The Casa Berardi exploration and evaluation expenses for the period ended March 31, 2017 are comprised of geophysical consulting of \$Nil (2016 - \$20,232), geological site expenses of \$Nil (2016 - \$3,757) and claim renewal costs of \$205 (2016 - \$210).

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**17. INCOME TAXES**

- (a) Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for tax purposes

The Company's actual tax expense for each of the periods is made up as follows:

	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
Statutory rate	<u>26.50%</u>	<u>26.50%</u>
Income (loss) before income taxes	<u>\$ (569,534)</u>	<u>\$ (101,385)</u>
Income tax (recovery) at statutory rates	<b>(126,632)</b>	(26,867)
Amortization	<b>40</b>	36
Exploration and evaluation expenses	<b>90</b>	6,412
Other	<b>142</b>	-
Share issue cost	<b>(258)</b>	(3,566)
Stock-based compensation	<b>38,605</b>	-
	<u><b>(88,013)</b></u>	<u>(23,895)</u>
Tax benefit not realized	<b>88,013</b>	23,895
Total current income tax expense (recovery)	<u><b>\$ -</b></u>	<u>\$ -</u>

The Company has the following deferred income tax assets and liabilities at the future enacted rates of 26.5 % (June 30, 2016 – 26.5%):

	<b>March 31, 2017</b>	<b>June 30, 2016</b>
Non-capital losses carry forward	<b>\$ 880,525</b>	\$ 767,705
Capital losses carry forward	<b>29,777</b>	29,777
Resource property pools	<b>134,613</b>	133,608
Share issue costs	<b>1,116</b>	1,374
Capital assets	<b>341</b>	333
Deferred tax asset	<b>1,046,372</b>	932,797
Deferred tax liability	<b>(382,748)</b>	(382,748)
Asset not recognized	<b>(663,624)</b>	(550,049)
Net deferred tax asset/liability	<u><b>\$ -</b></u>	<u>\$ -</u>

The Company has not recognized the deferred tax assets since the Company does not consider it more likely than not that the deferred tax asset will be realized in the future.

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**17. INCOME TAXES (continued)**

As at March 31, 2017, the Company has Canadian non-capital losses of approximately \$3,320,000 (June 30, 2016 - \$2,897,000) available for deduction against future Canadian taxable income, the balances of which will expire as follows:

2027	319,000
2028	288,000
2029	1,198,000
2030	109,000
2031	152,000
2032	15,000
2033	269,000
2034	248,000
2035	89,000
2036	210,000
2037	423,000
	\$ 3,320,000

The Company has Canadian capital losses of approximately \$225,000 as at March 31, 2017 (June 30, 2016 - \$225,000). These losses do not expire and can be utilized against future taxable gains.

- b) During fiscal 2009, management determined that the Company did not incur sufficient eligible exploration expenses under its flow-thru programs in 2006 and 2007. As at March 31, 2017, the amount of indemnification payable included in accounts payable and accrued liabilities is \$9,282 (June 30, 2016 - \$9,282).

**18. CAPITAL STOCK**

- (a) On June 30, 2016, the Company completed a private placement of 13,100,000 units at a price of \$0.05 per unit, for aggregate proceeds of \$655,000. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share on or before June 30, 2018 at an exercise price of \$0.15 per common share. In connection with the financing, the Company incurred share issue costs in the amount of \$6,483. Typically, the valuation of warrants would be allocated using the Black-Scholes pricing model based on the following assumptions: dividend yield rate of 0%, volatility of 287%, risk free interest rate of 0.49% and an executed life of 2 years. But based on these assumptions, the warrant valuation yielded an amount greater than \$655,000. Management determined that a reasonable valuation of the warrants would be equal to 2/3 of the \$655,000 proceeds or \$436,667. There was \$150,000 of subscription proceeds received during the period ended March 31, 2017. During the period ended March 31, 2017, 475,000 warrants were exercised for total proceeds of \$71,250.

On July 25, 2016, the Company completed a private placement of 750,000 units at a price of \$0.20 per unit, for aggregate proceeds of \$150,000. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share on or before July 25, 2018 at an exercise price of \$0.40 per common share. Typically, the valuation of warrants would be allocated using the Black-

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**18. CAPITAL STOCK (continued)**

Scholes pricing model based on the following assumptions: dividend yield rate of 0%, volatility of 287%, risk free interest rate of 0.58% and an executed life of 2 years. But based on these assumptions, the warrant valuation yielded an amount greater than \$150,000. Management determined that a reasonable valuation of the warrants would be equal to 2/3 of the \$150,000 proceeds or \$100,000.

(b) Warrants

The following table provides information about warrants issued and outstanding at March 31, 2017:

<b>Description</b>	<b>Expiry Date</b>	<b>Exercise Price</b>	<b>No. of Warrants</b>	<b>Fair Value</b>
Subscriber Warrants	June 30, 2018	\$ 0.15	835,000	\$ 420,834
Subscriber Warrants	July 25, 2018	\$ 0.40	375,000	\$ 100,000
			<b>12,100,000</b>	<b>\$ 520,834</b>

(c) Stock Options

**Stock option plan**

The Company has a stock option plan to provide employees, directors, officers and consultants with options to purchase common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock on the day of grant and the maximum term of option is five years. The maximum number of shares which may be issued under the program shall not exceed 10% of the issued and outstanding shares. The following summarizes the employees, directors, officers and consultant stock options that have been granted, exercised, expired, vested or cancelled during the period ended March 31, 2017:

On July 4, 2016, the Company granted 1,500,000 stock options with an exercise price of \$0.10 and a term of five years. These options vested immediately. The total fair value of \$89,848 was estimated using the Black-Scholes option pricing model assuming, a risk-free interest rate of 0.56%, an expected volatility of 314% and an expected life of 5 years. The granting of these options resulted in a share-based payment expense of \$89,848 being recorded during the period ended March 31, 2017. During the period ended March 31, 2017, 250,000 stock options were exercised for cash proceeds of \$25,000.

On February 10, 2017, the Company granted 400,000 stock options with an exercise price of \$0.15 and a term of five years. These options vested immediately. The total fair value of \$55,931 was estimated using the Black-Scholes option pricing model assuming, a risk-free interest rate of 1.06%, an expected volatility of 293% and an expected life of 5 years. The granting of these options resulted in a share-based payment expense of \$55,931 being recorded during the period ended March 31, 2017. During the period ended March 31, 2017, 300,000 stock options were exercised for cash proceeds of \$45,000.

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**18. CAPITAL STOCK (continued)**

At March 31, 2017, the Company had 1,350,000 stock options outstanding as follows:

<b>Weighted Average Exercise Price</b>	<b>Number Outstanding</b>	<b>Number Vested</b>	<b>Black Scholes Value</b>	<b>Weighted Average Life Remaining</b>
0.10	1,250,000	1,250,000	\$ 74,867	3.26 years
0.15	100,000	100,000	\$ 13,883	4.86 years
	<b>1,350,000</b>	<b>1,350,000</b>	<b>\$ 88,750</b>	<b>3.38 years</b>

The Company provides compensation to directors, employees and consultants in the form of stock options.

(d) Share-based Payment Reserve

A summary of the changes in the Company's share-based payment reserve is set out below:

	<b>March 31, 2017</b>	<b>June 30, 2016</b>
Balance – Beginning of period	\$ 65,700	\$ 75,400
Exercise of stock options	(56,929)	-
Cancellation of stock options	(65,700)	-
Expiry of stock options	-	(9,700)
Share-based compensation	145,679	-
Balance – End of period	<b>\$ 88,750</b>	<b>\$ 65,700</b>

(e) Warrant Reserve

A summary of the changes in the Company's warrant reserve is set out below:

	<b>March 31, 2017</b>	<b>June 30, 2016</b>
Balance – Beginning of period	\$ 436,667	\$ -
Exercise of warrants	(15,833)	-
Expiry of warrants	-	-
Fair market value of warrants issued	100,000	436,667
Balance – End of period	<b>\$ 520,834</b>	<b>\$ 436,667</b>

(f) Contributed Surplus

A summary of the changes in the Company's contributed surplus is set out below:

	<b>March 31, 2017</b>	<b>June 30, 2016</b>
Balance – Beginning of period	\$ 2,145,639	\$ 2,135,939
Expiry of stock options	65,700	9,700
Expiry of warrants	-	-
Balance – End of period	<b>\$ 2,211,339</b>	<b>\$ 2,145,639</b>

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**19. COMMITMENT AND CONTINGENCY**

On March 5, 2015, the Company entered into a 4-year office lease agreement for its office premises commencing April 1, 2015 to March 31, 2019. The minimum lease commitments under the lease for the next 3 fiscal years is as follows:

2017 (Three Months)	<b>23,726</b>
2018	<b>99,111</b>
2019	<b>75,481</b>

The Company has informal month-to-month agreements with certain co-tenants that may generate rental recovery starting in fiscal 2016 to offset this commitment.