

**CAVAN VENTURES INC.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED AUGUST 31, 2016**

**(Expressed in Canadian Dollars)**

**(Unaudited – Prepared by Management)**

### **NOTICE OF NO AUDITOR REVIEW OF CONDENSED 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 condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed 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 financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.

**CAVAN VENTURES INC.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
**UNAUDITED – PREPARED BY MANAGEMENT**  
(Expressed in Canadian dollars)

	August 31, 2016	February 29, 2016
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 6,385	\$ 5
Commodity tax recoverable	13,175	12,765
Marketable securities (Note 3)	16,000	22,500
Prepaid	1,000	1,000
	36,560	36,270
<b>Exploration and evaluation assets (Note 4)</b>	<b>163,092</b>	<b>163,092</b>
	<b>\$ 199,652</b>	<b>\$ 199,362</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 1,045,541	\$ 1,049,737
Flow-through premium liability (Note 6)	70,080	70,080
Loan payable (Note 5)	128,278	133,328
	1,243,899	1,253,145
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Share capital (Note 6)</b>	<b>4,417,058</b>	<b>4,417,058</b>
<b>Share-based payment reserve (Note 6)</b>	<b>1,203,285</b>	<b>1,203,285</b>
<b>Deficit</b>	<b>(6,664,590)</b>	<b>(6,674,126)</b>
	<b>(1,044,247)</b>	<b>(1,053,783)</b>
	<b>\$ 199,652</b>	<b>\$ 199,362</b>

**Nature of Operations and Going Concern (Note 1)**

Approved on Behalf of the Board of Directors:

***“Peter Swistak”***

Director

***“David Gdanski”***

Director

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

**CAVAN VENTURES INC.**  
**CONDENSED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME**  
**(LOSS)**  
**UNAUDITED – PREPARED BY MANAGEMENT**  
(Expressed in Canadian dollars)

	For the three months Ended		For the six months Ended	
	August 31, 2016	August 31, 2015	August 31, 2016	August 31, 2015
<b>Expenses</b>				
Administrative fees	\$ -	\$ 5,625	\$ -	\$ 11,250
Bank charges and interest (Note 5)	2,542	2,562	5,745	5,089
Consulting fees	-	-	-	2,300
Filing fees	750	1,679	810	2,882
Management fees (Note 7)	-	37,500	-	75,000
Office and miscellaneous	-	-	-	750
Professional fees (Note 7)	17,285	17,771	29,621	39,473
Entertainment and promotion	-	1,208	-	1,208
Realized gain on marketable securities	-	-	(40,000)	-
Rent	-	9,000	-	18,000
Transfer agent fees	3,850	1,117	3,850	1,117
Telecommunication	438	546	438	546
Unrealized loss (gain) on marketable securities	4,000	-	(10,000)	-
<b>Income (Loss) and Comprehensive Income (Loss) For the Period</b>	<b>\$ (28,865)</b>	<b>\$ (77,008)</b>	<b>\$ 9,536</b>	<b>\$ (157,615)</b>
<b>Income (Loss) Per Share, Basic and Diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ 0.00</b>	<b>\$ (0.00)</b>
<b>Weighted Average Common Shares Outstanding</b>	<b>73,940,826</b>	<b>73,940,826</b>	<b>73,940,826</b>	<b>73,940,826</b>

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

**CAVAN VENTURES INC.**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY**  
**UNAUDITED – PREPARED BY MANAGEMENT**  
(Expressed in Canadian dollars)

	Share Capital		Share Based Payment Reserve	Deficit	Shareholders' Deficiency
	Shares	Amount			
<b>Balance at February 28, 2015</b>	73,940,826	\$ 4,417,058	\$ 1,203,285	\$ (6,244,998)	\$ (624,655)
Loss for the period	-	-	-	(157,615)	(157,615)
<b>Balance at August 31, 2015</b>	73,940,826	4,417,058	1,203,285	(6,402,613)	(782,270)
Loss for the period	-	-	-	(271,513)	(271,513)
<b>Balance at February 29, 2016</b>	73,940,826	4,417,058	1,203,285	(6,674,126)	(1,053,783)
Income for the period	-	-	-	9,536	9,536
<b>Balance at August 31, 2016</b>	<b>73,940,826</b>	<b>\$ 4,417,058</b>	<b>\$ 1,203,285</b>	<b>\$ (6,664,590)</b>	<b>\$ (1,044,247)</b>

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

**CAVAN VENTURES INC.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
**UNAUDITED – PREPARED BY MANAGEMENT**  
(Expressed in Canadian dollars)

	<b>FOR THE SIX MONTHS ENDED</b>	
	<b>August 31, 2016</b>	<b>August 31, 2015</b>
<b>Cash Flows Provided By (Used In):</b>		
<b>Operating Activities</b>		
Income (loss) for the period	\$ 9,536	\$ (157,615)
Items not involving cash:		
Loan interest	5,000	5,000
Realized gain on marketable securities	(40,000)	-
Unrealized gain on marketable securities	(10,000)	-
Net change in non-cash working capital items:		
Commodity tax recoverable	(410)	(2,925)
Prepaid expenses	-	(1,000)
Accounts payable and accrued liabilities	(4,196)	142,229
	<b>(40,070)</b>	<b>(14,311)</b>
<b>Investing Activities</b>		
Exploration and evaluation asset expenditures	-	(4,622)
	-	(4,622)
<b>Financing Activities</b>		
Proceeds from sales of marketable securities	56,500	-
Proceeds from short-term loans	390	20,500
Repayment of short-term loans	(10,440)	-
Loan interest paid	-	(2,222)
	<b>46,450</b>	<b>18,278</b>
<b>Change in cash during the period</b>	<b>6,380</b>	<b>(655)</b>
<b>Cash, beginning of period</b>	<b>5</b>	<b>648</b>
<b>Cash (Bank Indebtedness), end of period</b>	<b>\$ 6,385</b>	<b>\$ (7)</b>

**Supplemental disclosure with respect to cash flows (Note 9)**

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

**CAVAN VENTURES INC.**  
**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED AUGUST 31, 2016**  
**UNAUDITED – PREPARED BY MANAGEMENT**  
(Expressed in Canadian dollars)

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

Cavan Ventures Inc. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange (“TSX-V”). The Company’s corporate office is located at Suite 1240 – 789 West Pender Street, Vancouver, BC, V6C 1H2, Canada. The Company is a TSX-V junior mining company with exploration and evaluation assets in Canada.

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of condensed interim financial statements, including International Accounting Standards (“IAS”) 34 – Interim Financial Reporting, with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation for the foreseeable future. The operations of the Company were primarily funded by the issue of share capital and loans. The continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financing, or generate profitable operations in the future. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the company be unable to continue in business.

The Company is in the business of exploring for minerals that by its nature involves a high degree of risk. There can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of the exploration and evaluation assets 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, the ability of the Company to obtain financing or, alternatively, upon the Company’s ability to dispose of its interest on an advantageous basis. Additionally, the Company estimates that it will need additional capital to operate for the upcoming year and is past due on its loan payable. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

	<b>August 31, 2016</b>	February 29, 2016
Working capital deficiency	<b>\$ (1,207,339)</b>	\$ (1,216,875)
Deficit	<b>\$ (6,664,590)</b>	\$ (6,674,126)

**2. SUMMARY OF ACCOUNTING POLICIES**

**Basis of presentation**

The condensed interim financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The financial statements are presented in Canadian dollars which is the functional currency of the Company.

In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

**CAVAN VENTURES INC.**  
**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
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**2. SUMMARY OF ACCOUNTING POLICIES** (Continued)

**Basis of presentation** (Continued)

The policies applied in the financial statements are presented below and are based on IFRS' issued and outstanding as of January 23, 2017, the date the Board of Directors approved the financial statements.

**Estimates and judgments**

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

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position.
- ii) The inputs in the Black-Scholes option pricing model to value stock options and finder's warrants.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

- i) Economic recoverability and probability of future benefits of exploration and evaluation costs

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

- ii) Black-Scholes Option Pricing Model

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation and finder's warrants. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity settled benefits.

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
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**2. SUMMARY OF ACCOUNTING POLICIES** (Continued)

**Financial instruments**

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized through profit or loss.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through profit or loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company has classified cash and marketable securities as fair value through profit or loss.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

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**2. SUMMARY OF ACCOUNTING POLICIES** (Continued)

**Financial instruments** (Continued)

Financial liabilities (Continued)

*Other financial liabilities:* This category is initially measured at fair value, net of transaction costs, and subsequently measured at amortized cost using effective interest method, with interest expense recognized on an effective yield basis.

The Company's accounts payable and accrued liabilities and loan payable are classified as other financial liabilities.

Financial instruments that are measured at fair value using inputs, which are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

**Foreign exchange**

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency for the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the year.

**Loss per share**

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

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**2. SUMMARY OF ACCOUNTING POLICIES** (Continued)

**Exploration and evaluation assets**

Upon acquiring the legal right to explore a property, costs related to the acquisition, exploration and evaluation of exploration and evaluation assets are capitalized by property. If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as gain on option agreement in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

**Impairment**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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**2. SUMMARY OF ACCOUNTING POLICIES** (Continued)

**Decommissioning and restoration provision**

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

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year.

The Company does not have any decommissioning or restoration obligations for the periods presented.

**Valuation of equity units issued in private placements**

The Company uses the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in a private placement was determined to be the more easily measurable component and were valued at their fair value. The balance, if any, was allocated to the attached warrants. Any value attributed to the warrants is recorded as share-based payment reserve.

**Share-based compensation**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options and compensatory warrants are measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

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**2. SUMMARY OF ACCOUNTING POLICIES** (Continued)

**Share issue costs**

Costs directly identifiable with the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

**Flow-through shares**

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby any premium paid for the flow through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to flow-through premium liability and included in profit or loss at the same time the qualifying expenditures are made.

**Income taxes**

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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**2. SUMMARY OF ACCOUNTING POLICIES** (Continued)

**Future accounting pronouncements**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

IFRS 9 Financial Instruments replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value. This standard has an effective date of January 1, 2018.

**3. MARKETABLE SECURITIES**

During the year ended February 29, 2016, the Company received 1,500,000 of Ashburton Ventures Inc., a TSX-V listed company valued at \$22,500.

During the period ended August 31, 2016, the Company sold 1,100,000 shares resulting in a realized gain of \$40,000.

The market value of the remaining shares at August 31, 2016 was \$16,000 (February 29, 2016 - \$22,500). The valuation of the remaining shares at August 31, 2016 resulted in an unrealized gain of \$10,000.

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**4. EXPLORATION AND EVALUATION ASSETS**

Title to exploration and evaluation assets properties involves certain inherent risks due to the difficulties of determining the validity of certain claims. The Company has investigated title to its exploration and evaluation assets and, to the best of its knowledge, title to its exploration and evaluation assets are in good standing.

	<b>Six Months Ended</b>	
	<b>August 31, 2016</b>	
	<b>Buckingham Property</b>	<b>Total</b>
Acquisition costs, beginning of period	\$ 75,145	\$ 75,145
Acquisition costs, end of period	\$ 75,145	\$ 75,145
Exploration costs, beginning of period	\$ 87,947	\$ 87,947
Exploration costs, end of period	\$ 87,947	\$ 87,947
Total, end of period	\$ 163,092	\$ 163,092

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**4. EXPLORATION AND EVALUATION ASSETS** (Continued)

	Year Ended February 29, 2016	
	Buckingham Property	Total
Acquisition costs, beginning of year	\$ 97,645	\$ 97,645
Share payment received	(22,500)	(22,500)
Acquisition costs, end of year	\$ 75,145	\$ 75,145
Exploration costs, beginning of year	\$ 77,607	\$ 77,607
Additions		
Administration	8,673	8,673
Labour	1,667	1,667
Exploration costs, end of year	\$ 87,947	\$ 87,947
Total, end of year	\$ 163,092	\$ 163,092

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**4. EXPLORATION AND EVALUATION ASSETS** (Continued)

**Buckingham Property**

During the year ended February 28, 2013, the Company entered into an agreement, which was subsequently amended, to acquire a 100% interest in certain claims located in Buckingham township, Quebec. The Company earned a 100% interest in the property by paying \$75,000 and issuing 1,350,000 common shares valued at \$51,750. Finders fees of \$8,100 were paid.

During the year ended February 29, 2016, entered into an option agreement to sell 60% of its interest in the Buckingham property for:

- i) \$25,000 cash (received subsequently);
- ii) \$400,000 of exploration work on the property;
- iii) 3,000,000 shares in Ashburton Ventures Inc., a TSX-V listed company (1,500,000 shares received during the year ended February 29, 2016; 1,500,000 shares received subsequently).

During the year ended February 29, 2016, the Company also signed an agreement to option out an additional 20% interest of its remaining 40% interest in the Buckingham property for:

- i) \$5,000 cash (received subsequently)
- ii) \$200,000 in exploration expenditures in, or on, the property on or before September 7, 2018.

**5. LOAN PAYABLE**

During the year ended February 28, 2014, the Company entered into a loan agreement with an arm's length lender to borrow \$100,000. The loan bears an interest rate of 10% per annum, calculated semi-monthly and was due and payable on or before April 10, 2014. The term has lapsed and interest continues to accrue after the end of the term. Pursuant to the agreement, and as additional consideration for the loan, the Company issued 400,000 common shares to the lender (issued and valued at \$10,000) as a finance fee recorded as interest. As at August 31, 2016, the loan has accrued interest of \$5,000 (2015 - \$5,000) which has been recorded in bank charges and interest. At August 31, 2016, the Company owed \$117,778 (February 29, 2016- \$112,778).

During the year ended February 29, 2016, the Company received \$10,000 with no fixed terms of repayment. The Company repaid the loan during the period ended August 31, 2016.

During the year ended February 29, 2016, the Company received \$50 with no fixed terms of repayment. The Company received an additional \$390 loan and repaid in full during the period ended August 31, 2016.

During the year ended February 29, 2016, the Company received \$10,500 with no fixed terms of repayment.

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**6. SHARE CAPITAL, STOCK OPTIONS AND WARRANTS**

Authorized share capital – an unlimited number of common shares without par value

**SHARES ISSUED DURING THE PERIOD ENDED AUGUST 31, 2016**

During the period ended August 31, 2016, there were no shares granted.

**SHARES ISSUED DURING THE YEAR ENDED FEBRUARY 29, 2016**

During the year ended February 29, 2016, there were no shares granted.

**STOCK OPTIONS**

The Company adopted an equity settled stock option plan. The Company follows the policies of the TSX-V under which it would be authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company.

Under the policies, the exercise price of each option equals the market price or a discounted price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years. Vesting terms are determined by the Board of Directors at the time of grant.

**OPTIONS GRANTED DURING THE PERIOD ENDED AUGUST 31, 2016**

During the period ended August 31, 2016, there were no options issued.

**OPTIONS GRANTED DURING THE YEAR ENDED FEBRUARY 29, 2016**

During the year ended February 29, 2016, there were no options issued.

The Company utilized the Black-Scholes option pricing model to calculate the value of stock options granted, using the following weighted average assumptions:

	<b>August 31, 2016</b>	<b>August 31, 2015</b>
Risk-free interest rate	-	-
Expected life	-	-
Volatility	-	-
Expected dividend yield	-	-
Forfeiture rate	-	-

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**6. SHARE CAPITAL, STOCK OPTIONS AND WARRANTS** (Continued)

**STOCK OPTIONS** (Continued)

Stock option transactions are summarized as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance at February 28, 2015	4,300,000	\$ 0.11
Expired / Forfeited	<u>(1,050,000)</u>	0.13
<b>Balance at February 29, 2016 and August 31, 2016</b>	<b>3,250,000</b>	<b>\$ 0.10</b>

As at August 31, 2016, the following stock options were outstanding:

Expiry date	Number of options	Exercise price	Number of options exercisable
February 24, 2017	375,000	\$0.10	375,000
March 28, 2017	975,000	\$0.10	975,000
October 29, 2017	300,000	\$0.10	300,000
February 22, 2018	1,300,000	\$0.10	1,300,000
April 10, 2018	100,000	\$0.10	100,000
July 8, 2018	200,000	\$0.10	200,000
<b>Total Outstanding</b>	<b>3,250,000</b>		<b>3,250,000</b>

As at February 29, 2016, the following stock options were outstanding:

Expiry date	Number of options	Exercise price	Number of options exercisable
February 24, 2017	375,000	\$0.10	375,000
March 28, 2017	975,000	\$0.10	975,000
October 29, 2017	300,000	\$0.10	300,000
February 22, 2018	1,300,000	\$0.10	1,300,000
April 10, 2018	100,000	\$0.10	100,000
July 8, 2018	200,000	\$0.10	200,000
<b>Total Outstanding</b>	<b>3,250,000</b>		<b>3,250,000</b>

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**6. SHARE CAPITAL, STOCK OPTIONS AND WARRANTS** (Continued)

**WARRANTS**

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at February 28, 2015	18,417,650	\$ 0.09
Expired	<u>(13,973,000)</u>	0.10
Balance at February 29, 2016	4,444,650	0.06
Expired	<u>(4,444,650)</u>	0.06
<b>Balance at August 31, 2016</b>	<b>-</b>	<b>\$ -</b>

The following warrants were outstanding at February 29, 2016:

Expiry date	Number of Warrants	Exercise price	Number of warrants exercisable
June 30, 2016	3,096,150	\$ 0.06	3,096,150
April 15, 2016	1,348,500	\$0.075	1,348,500
<b>Total Outstanding</b>	<b>4,444,650</b>		<b>4,444,650</b>

The Company utilized the Black-Scholes option pricing model to calculate the value of agent warrants granted, using the following weighted average assumptions:

	August 31, 2016	August 31, 2015
Risk-free interest rate	-	-
Expected life	-	-
Volatility	-	-
Expected dividend yield	-	-
Forfeiture rate	-	-

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**7. RELATED PARTY TRANSACTIONS**

The Company's related parties and key management consist of executive officers, directors, former officers, former directors, companies owned by executive officers, companies owned by former officers, companies owned by directors, companies owned by spouses of directors, and companies owned by former directors of the company.

The Company incurred the following expenses in connection with key management, including companies owned by key management and directors, present and former.

<b>Key Management</b>	<b>For the six months ended</b>	
	<b>August 31,</b>	<b>August 31,</b>
	<b>2016</b>	<b>2015</b>
<b>Management fees</b>		
Paid or accrued to officers, directors, former officers, former directors and companies owned by officers, directors, former officers and former directors	\$	- \$ 67,350
<b>Professional fees</b>		
Paid or accrued to an officer	\$	3,000 \$ 19,500

The Company had the following balance due to key management included in accounts payable and accrued liabilities:

<b>Key management</b>	<b>August 31,</b>	<b>February 29,</b>
	<b>2016</b>	<b>2016</b>
Due to key management	\$ 2,520	\$ 52,558

**8. RISK MANAGEMENT, FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT**

**Fair value**

Cash and marketable securities are measured using level 1 of the fair value hierarchy.

Given that they will mature shortly, the fair value of accounts payable and accrued liabilities and loan payable approximate their carrying value.

**Financial Risk**

The primary goals of the Company's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's net assets from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risks through preventive controls and transferring risk to third parties.

The Company's exposure to potential loss from financial instruments is primarily due to credit risk, liquidity risk and various market risks, including interest rate and foreign exchange.

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**8. RISK MANAGEMENT, FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT**  
(Continued)

**Interest Rate Risk**

Fluctuations in interest rates have only an impact on the return that the cash generates as interest income. Unfavorable changes in the applicable interest rate may result in a decrease of interest income.

The Company has limited exposure to financial risk arising from fluctuations in interest rates earned on short-term investments given their short-term nature. As a result fluctuations in market interest rates during the current period would not have any material impact on the Company's financial results.

**Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments. Liquidity needs are monitored in various time bands, including 30-day, 180-day and 360-day lookout periods. The Company's ability to meet its commitments for exploration programs, and meet all of its general and administrative costs on a continuous basis is dependent on the continued support of the financial markets. In particular, the Company may have to issue additional common shares. The Company is exposed to liquidity risk.

**Credit Risk**

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. All of the cash is held with one financial institution. Consequently, the Company is exposed to concentration of credit risks of that institution. However, the credit risk is limited, based on the high quality external credit rating of that institution.

**Capital Management**

The Company considers the items included in equity (deficiency) as capital. The Company's objective in managing capital is to ensure sufficient liquidity to pursue its exploration activities and may raise additional capital through the equity markets as additional capital is required. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. There was no change in the Company's capital management strategy during the period ended August 31, 2016.

**9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

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	<b>For the six months ended</b>	
	<b>August 31,</b>	<b>August 31,</b>
	<b>2016</b>	<b>2015</b>
Accrued exploration and evaluation asset costs in accounts payable	\$ 3,757	\$ 31,828

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**10. SEGMENTED INFORMATION**

The Company operates in one reportable segment being the acquisition, exploration and evaluation of mineral properties in Canada.

**11. SUBSEQUENT EVENTS**

Subsequent to August 31, 2016, the Company proposed a consolidation of its common shares on the basis of one new share for up to every five existing shares. Currently, a total of 73,940,826 Shares are issued and outstanding. Accordingly, a total of 14,788,165 Shares would be issued and outstanding following the consolidation, assuming no other change in the issued capital.