

CAVA RESOURCES INC.

Audited Financial Statements

YEARS ENDED JUNE 30, 2017 AND JUNE 30, 2016

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cava Resources Inc.

We have audited the accompanying financial statements of Cava Resources Inc., which comprise the statements of financial position as at June 30, 2017 and June 30, 2016, and the statements of loss and comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cava Resources Inc. as at June 30, 2017 and June 30, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements, which discloses conditions that indicate the existence of a material uncertainty that may cast significant doubt about Cava Resources Inc.'s ability to continue as a going concern.

S & W LLP

October 24, 2017
Toronto, Canada

S & W LLP
Chartered Professional Accountants, Licensed Public Accountants

CAVA RESOURCES INC.
Audited Statements of Financial Position
As at June 30,

	2017	2016
ASSETS		
Current		
Cash (Note 5)	\$ 3,464	\$ 375,957
Subscription funds receivable (Note 19(a))	-	150,000
Accounts receivable (Note 6, Note 14(c))	12,984	14,064
GST/HST receivable (Note 7)	13,428	11,475
Prepaid expenses (Note 8)	23,120	23,120
Loan receivable (Note 9)	159,000	-
	211,996	574,616
Equipment (Note 10)	3,796	422
Deferred mineral acquisition costs (Note 11)	174,147	170,474
	\$ 389,939	\$ 745,512
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 15(b), Note 16)	\$ 90,416	\$ 155,435
Due to officers and directors (Note 15(a))	21,365	70,506
Due to consultants (Note 17)	5,218	50,000
	116,999	275,941
SHAREHOLDERS' EQUITY		
Capital stock (Note 20)	5,699,962	5,395,732
Share-based payments reserve (Note 20(d))	97,961	65,700
Warrant reserve (Note 20(e))	500,838	436,667
Contributed surplus (Note 20(f))	2,211,339	2,145,639
Deficit	(8,237,160)	(7,574,167)
	272,940	469,571
	\$ 389,939	\$ 745,512

Going concern (Note 2)
Commitment (Note 21)

On behalf of the Board:

"R. Brian Murray" Director

"John V. Hickey" Director

CAVA RESOURCES INC.
Audited Statements of Loss and Comprehensive Loss

	Years Ended June 30,	
	2017	2016
Expenses		
Exploration and evaluation expenditures (Note 18)	\$ 11,421	\$ 19,528
Due diligence expenses (Note 14)	182,054	-
Management fees (Note 15)	72,600	20,000
Share-based compensation (Note 20)	160,887	-
Professional fees	15,300	28,284
Investor relations	19,436	12,573
Filing and transfer fees	16,079	24,661
General and administrative	46,586	28,261
Consulting fees	137,000	76,500
Travel and promotion	1,071	820
Amortization (Note 10)	559	181
	<u>662,993</u>	<u>210,808</u>
Net loss and comprehensive loss for the year	<u>\$ (662,993)</u>	<u>\$ (210,808)</u>
Loss per share (Note 4(q))		
Basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.10)</u>
Weighted average number of common shares		
Basic and diluted	<u>16,182,877</u>	<u>2,048,411</u>

The accompanying notes are an integral part of these financial statements

Cava Resources Inc.
Audited Statements of Changes in Equity

	Share Capital		Warrants Reserve	Share-based Payments Reserve	Contributed Surplus	Accumulated Deficit	Total
	Number of Shares (Note 1)	Amount					
<i>Balance – July 1, 2015</i>	2,048,411	\$ 5,183,882	\$ -	75,400	\$ 2,135,939	\$ (7,363,359)	\$ 31,862
Private placement	13,100,000	655,000					655,000
Valuation of warrants		(436,667)	436,667				-
Share issue costs		(6,483)					(6,483)
Expiration of stock options				(9,700)	9,700		-
Net loss and comprehensive loss for the year						(210,808)	(210,808)
<i>Balance – June 30, 2016</i>	15,148,411	\$ 5,395,732	\$ 436,667	\$ 65,700	\$ 2,145,639	\$ (7,574,167)	\$ 469,571
<i>Balance – July 1, 2016</i>	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		(81,838)	81,838				-
Share issue costs		(4,025)					(4,025)
Exercise of warrants	530,000	97,167	(17,667)				79,500
Exercise of stock options	650,000	142,926		(62,926)			80,000
Cancellation of stock options				(65,700)	65,700		-
Stock based compensation				160,887			160,887
Net loss and comprehensive loss for the year						(662,993)	(662,993)
<i>Balance – June 30, 2017</i>	17,078,411	\$ 5,699,962	\$ 500,838	\$ 97,961	\$ 2,211,339	\$ (8,237,160)	\$ 272,940

The accompanying notes are an integral part of these financial statements

CAVA RESOURCES INC.
Audited Statements of Cash Flows

	Years Ended June 30,	
	2017	2016
OPERATING ACTIVITIES		
Net loss and comprehensive loss for the year	\$ (662,993)	\$ (210,808)
Non cash items included in net loss		
Share-based compensation	160,887	-
Amortization	559	181
	<u>(501,547)</u>	<u>(210,627)</u>
Changes in non cash working capital		
Change in accounts payable and accrued liabilities	(65,019)	63,700
Change in GST/HST receivable	(1,953)	(10,123)
Change in accounts receivable	1,080	(9,256)
Change in mining and duty tax credits receivable	-	5,320
	<u>(567,439)</u>	<u>(160,986)</u>
Investing Activities		
Exploration and evaluation assets purchased	(3,673)	-
Capital asset additions	(3,933)	-
Loan receivable advanced	(159,000)	-
	<u>(166,606)</u>	<u>-</u>
FINANCING ACTIVITIES		
Proceeds from common shares issued on private placement (net of share issue costs)	145,975	498,517
Proceeds from stock options exercised	80,000	-
Proceeds from warrants exercised	79,500	-
Subscription proceed receivable	150,000	-
Due to a consultant	(44,782)	-
Advances by director and officers	(49,141)	31,196
	<u>361,552</u>	<u>529,713</u>
(Decrease) Increase in cash	(372,493)	368,727
Cash, beginning of year	375,957	7,230
Cash, end of year	\$ 3,464	\$ 375,957

The accompanying notes are an integral part of these financial statements

**CAVA RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

1. NATURE OF BUSINESS

Cava Resources Inc. (“Company”) is principally engaged in the acquisition, exploration, and development of mineral properties both in and outside North America. 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 \$8,237,160 as at June 30, 2017 (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 June 30, 2017, the Company had current assets of \$211,996 (2016 - \$574,616) to cover current liabilities of \$116,999 (2016 - \$275,941).

3. (a) STATEMENT OF COMPLIANCE

These financial statements were authorized for issuance by the Board of Directors of the Company on October 24, 2017.

**CAVA RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

3. (b) BASIS OF PRESENTATION

These 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 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) 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.

CAVA RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) 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.

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.

CAVA RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) 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.

e) 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.

f) 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.

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

CAVA RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial Assets (continued)

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 June 30, 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.

g) 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.

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 June 30, 2017, the Company has not classified any liabilities as FVTPL.

CAVA RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial Liabilities

Derecognition of Financial Liabilities

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

h) 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.

i) 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 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

CAVA RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Impairment of Non-Financial Assets (continued)

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.

j) Cash

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

k) 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 June 30, 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.

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 June 30, 2017.

CAVA RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) 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.

m) 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.

n) 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.

o) 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.

CAVA RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) 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.

q) 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.

r) 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.

s) 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.

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.

CAVA RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Standards, Amendments and Interpretations not yet Effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after March 31, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the table below. The following has not yet been adopted and is being evaluated to determine the impact on the Company.

- (i) IFRS 9, Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.
- (ii) On January 13, 2016 the IASB issued IFRS 16, “Leases”. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, “Revenue from contracts with customers” at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, “Leases”. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The extent of the impact of adoption of this standard has not yet been determined.

5. CASH

Cash at June 30, 2017 totaled \$3,464 and consisted of deposits with a Canadian bank in general non-interest-bearing accounts in the amount of \$111 overdraft (2016 – cash \$160,784) and funds held in trust with the Company’s corporate lawyer in the amount of \$3,575 (2016 - \$215,173).

6. ACCOUNTS RECEIVABLE

The Company’s accounts receivable at June 30, 2017 in the amount of \$12,984 (2016 - \$14,064) consists of project costs due from the Company’s 30% owner on the Casa Berardi project of \$Nil (2016 – \$10,391) and rent due from co-tenants of \$12,984 (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 \$13,428 at June 30, 2017 (2016 - \$11,475).

CAVA RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
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8. PREPAID EXPENSES

Prepaid expenses at June 30, 2017 were \$23,120 (2016 - \$23,120). This was comprised of premises rent paid in advance in accordance with the lease terms in the amount of \$23,120 (2016 - \$23,120).

9. LOAN RECEIVABLE

Loan receivable at June 30, 2017 were \$159,000 (2016 - \$Nil). The loan is interest-free and payable on demand. The advance is to Gold Rush Cariboo Limited. (Note 22)

10. CAPITAL ASSETS

	Cost	Computer Equipment	Office Equipment	Total
July 1, 2016		\$ 3,367	\$ -	\$ 3,367
Additions		785	3,148	3,933
June 30, 2017		\$ 4,152	\$ 3,148	\$ 7,300
Accumulated Amortization				
July 1, 2016		\$ 2,945	\$ -	\$ 2,945
Additions		244	315	559
June 30, 2017		\$ 3,189	\$ 315	\$ 3,504
Net Book Value – June 30, 2017		\$ 963	\$ 2,833	\$ 3,796
	Cost	Computer Equipment	Office Equipment	Total
July 1, 2015		\$ 3,367	\$ -	\$ 3,367
Additions		-	-	-
June 30, 2016		\$ 3,367	\$ -	\$ 3,367
Accumulated Amortization				
July 1, 2015		\$ 2,764	\$ -	\$ 2,764
Additions		181	-	181
June 30, 2016		\$ 2,945	\$ -	\$ 2,945
Net Book Value – June 30, 2016		\$ 422	\$ -	\$ 422

CAVA RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

11. 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>June 30, 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>

12. 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, 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, 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.

CAVA RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

12. 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,

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.

CAVA RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

12. 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 gold and other mineral commodities, and the outlook for this mineral. Adverse changes in the price of gold 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.

13. 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, due to officers and directors and due to consultants.

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 expenditure program.

**CAVA RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

13. CAPITAL MANAGEMENT (continued)

There were no changes in the Company’s approach to capital management during the year ended June 30, 2017 and capital management is consistent with the year ended June 30, 2016. The Company is not subject to externally imposed capital requirements.

14. DUE DILIGENCE EXPENSES

During the past year, the Company reviewed several mineral projects which it felt might have merit and represent an opportunity for the Company to participate. As announced subsequent to the year end, it has entered into an agreement to acquire all of the outstanding shares of Gold Rush Cariboo Inc. which has an agreement to acquire mineral properties in central British Columbia (See note 22). This due diligence expenses incurred during the year included expenses on one potential gold copper project in Pakistan. Expenses which totaled \$182,054, included legal fees, an update on a 43-101 report and fees to send representatives overseas to negotiate with local mining authorities. Management subsequently determined that this project was too difficult to conclude an agreement on reasonable terms and with reasonable risk. The Company has suspended future expenditures on this project.

15. RELATED PARTY TRANSACTIONS

	2017	2016
Management fees charged by officers or Corporations controlled by officers for administrative and financial management services	\$ 72,600	\$ 20,000
Rental income (included in General and administrative expense)	\$ 11,350	\$ 2,500

- (a) At June 30, 2017, the amount of \$21,365 (2016 - \$70,506) is due to officers and directors of the Company.
- (b) At June 30, 2017, accounts payable included the amount of \$Nil (2016 - \$3,301) is due to a director of the Company.
- (c) At June 30, 2017, accounts receivable included rent receivable in the amount of \$10,848 (2016 -\$1,412) that is due from a company with common directors.

16. 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.

17. DUE TO CONSULTANTS

The due to consultants are amounts that are interest-free and payable on demand.

CAVA RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

18. EXPLORATION AND EVALUATION EXPENSES

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

	2017	2016
Casa Berardi Project –Quebec, Canada	\$ 11,421	\$ 19,528

The Casa Berardi exploration and evaluation expenses for the year ended June 30, 2017 are comprised of geological consulting of \$700 (2016 - \$9,800), assay of \$Nil (2016 - \$161), field expenses of \$Nil (2016 - \$7,320), and other of \$10,721 (2016 - \$2,247).

19. 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 years is made up as follows:

	2017	2016
Statutory rate	26.50%	26.50%
(Loss) before income taxes	\$ (662,993)	\$ (210,808)
Income tax (recovery) at statutory rates	(175,693)	(55,864)
Amortization	148	48
Exploration and evaluation expenses	4,000	5,175
Other	142	109
Share issue cost	(557)	(5,099)
Share-based compensation	42,635	-
	(129,325)	(55,631)
Tax benefit not realized	129,325	55,631
Total current income tax expense (recovery)	\$ -	\$ -

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

	June 30, 2017	June 30, 2016
Non-capital losses carry forward	\$ 990,689	\$ 767,705
Capital losses carry forward	29,777	29,777
Resource property pools	138,044	133,608
Share issue costs	2,441	1,374
Capital assets	482	333
Deferred tax asset	1,161,433	932,797
Deferred tax liability	(382,748)	(382,748)
Asset not recognized	(778,685)	(550,049)
Net deferred tax asset/liability	\$ -	\$ -

CAVA RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
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19. INCOME TAXES (continued)

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.

As at June 30, 2017, the Company has Canadian non-capital losses of approximately \$3,738,000 (2016 - \$2,897,000) available for deduction against future Canadian taxable income, the balances of which will expire as follows:

2026	353,000
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	488,000
	\$ 3,738,000

The Company has Canadian capital losses of approximately \$225,000 as at June 30, 2017 (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 June 30, 2017, the amount of indemnification payable included in accounts payable and accrued liabilities is \$9,282 (2016 - \$9,282).

20. CAPITAL STOCK

(a) Private Placements

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 that was received during the year ended June 30, 2017. During the year ended June 30, 2017, 530,000 warrants were exercised for total cash proceeds of \$79,500.

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

CAVA RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
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20. CAPITAL STOCK (continued)

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. The the valuation of warrants was determined to be \$81,838 and was calculated using the Black- Scholes pricing model based on the following assumptions: dividend yield rate of 0%, volatility of 292%, risk free interest rate of 0.58% and an executed life of 2 years.

(b) Warrants

The following table provides information about warrants issued and outstanding at June 30, 2017:

Description	Expiry Date	Exercise Price	No. of Warrants	Fair Value
Subscriber Warrants	June 30, 2018	\$ 0.15	12,570,000	\$ 419,000
Subscriber Warrants	July 25, 2018	\$ 0.40	375,000	\$ 81,838
			12,945,000	\$ 500,838

(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 year ended June 30, 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 \$104,956 being recorded during the year ended June 30, 2017. During the year ended June 30, 2017, 350,000 stock options were exercised for cash proceeds of \$35,000.

On March 1, 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 1.15%, 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 year ended June 30, 2017. During the year ended June 30, 2017, 300,000 stock options were exercised for cash proceeds of \$45,000.

CAVA RESOURCES INC.
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20. CAPITAL STOCK (continued)

At June 30, 2017, the Company had 1,250,000 stock options outstanding as follows:

Number Outstanding	Number Vested	Black Scholes Value	Weighted Average Life Remaining	Weighted Average Exercise Price
1,150,000	1,150,000	\$ 83,978	4.01 years	0.10
100,000	100,000	\$ 13,983	4.62 years	0.15
1,250,000	1,250,000	\$ 97,961	4.06 years	0.11

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:

	June 30, 2017	June 30, 2016
Balance – Beginning of year	\$ 65,700	\$ 75,400
Exercise of stock options	(62,926)	-
Cancelation of stock options	(65,700)	-
Expiry of stock options	-	(9,700)
Share-based compensation	160,887	-
Balance – End of year	\$ 97,961	\$ 65,700

(e) Warrant Reserve

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

	June 30, 2017	June 30, 2016
Balance – Beginning of year	\$ 436,667	\$ -
Exercise of warrants	(17,667)	-
Fair market value of warrants issued	81,838	436,667
Balance – End of year	\$ 500,838	\$ 436,667

(f) Contributed Surplus

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

	June 30, 2017	June 30, 2016
Balance – Beginning of year	\$ 2,145,639	\$ 2,135,939
Expiry of stock options	65,700	9,700
Balance – End of year	\$ 2,211,339	\$ 2,145,639

CAVA RESOURCES INC.
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21. COMMITMENT

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 2 fiscal years is as follows:

2018	99,111
2019	75,481

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

22. EVENTS SUBSEQUENT TO YEAR END

On September 27, 2017, the Company signed a letter of intent agreement to acquire all of the outstanding shares of Gold Rush Cariboo Inc. (“Gold Rush”) by issuing 12,600,000 common shares of the Company. The closing of this transaction is subject to the approval of all the shareholders of Gold Rush and the approval of all regulatory authorities.

Gold Rush is a private Canadian company incorporated in 2012 in the province of Alberta to pursue placer gold opportunities in the Cariboo district of British Columbia. On August 24, 2017, Gold Rush entered into a binding agreement with Goldlands Inc. (“Goldlands”), a Delaware incorporated company with 6 distinct properties in British Columbia. Gold Rush has agreed to acquire the right to mine the Horseshoe Bend property with the option to purchase the property. In addition, Gold Rush has an option to acquire any or all of the other properties subject to agreed consideration as set out in the definitive agreement.

The price to acquire the Horseshoe Bend property is \$2,250,000 plus the purchase of Specialized Mining & Processing Equipment for \$1,297,000. The amount of \$2,250,000 is to be satisfied by the issuance of a convertible promissory note (convertible at \$0.40) which is to be paid annually by way of 50% of net profits commencing after 2 years with a minimum annual payment of \$25,000. In addition, there is a royalty payment of 2.5% of which 1% can be purchased for an agreed amount. Gold Rush has also agreed, if needed, to make an advance deposit of \$300,000 to acquire or lease certain earthmoving equipment and it has also agreed to make minimum annual testing expenditures prior to pursuing production of \$60,000. The payment of the \$1,297,000 must be made with an initial payment of \$500,000 by October 31, 2017 and the balance by March 1, 2018.

Gold Rush has an option for a two-year period to acquire any of the other properties, however, if it exercises its option on 50 % of the other properties, then the option on the remaining properties will be extended for one additional year, and if Gold Rush then exercises its option on 50% of the remaining properties, then its option on the balance of the properties will be extended for one further year. The Company has carried out certain due diligence expenses on these properties including advancing \$159,000 to Gold Rush to have financial projections prepared and to have a 43-101 report updated as well as to fund some of the expenses of negotiating this transaction with Goldlands.

In connection with the closing of this transaction, the Company intends to raise up to \$1,700,000 from the issuance of common shares.