

CAVAN VENTURES INC.
FORM 51-102F1
Management Discussion and Analysis
For the Year Ended February 28, 2011

INTRODUCTION

This discussion and analysis of the unaudited interim financial position and results of operations are prepared as at June 23, 2011 and should be read in conjunction with the audited year end financial statements for the year ended February 28, 2011 for Cavan Ventures Inc. (the “Company”) and the audited annual financial statements for the year ended February 28, 2010. The audited year end financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis (“MD&A”) are quoted in Canadian dollars. Additional information relevant to the Company’s activities can be found on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A that are not historical facts constitute “forward-looking statements”. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks and uncertainties detailed throughout this MD&A. The Company disclaims any obligation or intention to update or revise any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

COMPANY OVERVIEW

The Company was incorporated under the Business Corporations Act (British Columbia) on February 28, 2006 and is in the exploration stage with respect to its mineral properties. Based on the information available to date, the Company has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of the amounts shown for mineral properties and deferred exploration costs is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development and upon future profitable production. These unaudited financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern, which assume the realization of assets and discharge of liabilities in the normal course of business. On November 2, 2007, the Company received final receipts for a prospectus and became a reporting issuer in the Provinces of Alberta and British Columbia. The Company’s shares were listed for trading on TSX Venture Exchange on November 26, 2007 and under the symbol “CVN.V”.

The Company entered into two option agreements and subsequent amendments pursuant to which the Company can acquire a 100% interest in the Kaslo Property (previously called Emerald Property) as well as the Kissegas (KM Claims) Property (“KM Property”).

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MINERAL PROPERTIES

	Kaslo Property		KM Property		Total
Balance at February 29, 2008	\$	66,725	\$	51,030	\$ 117,755
Additions:					
Cash		50,000		60,000	110,000
Tenure		3,946		4,360	8,306
Issuance of common shares		32,000		8,000	40,000
Balance at February 28, 2009		152,671		123,390	276,061
Additions:					
Cash		60,000		3,000	63,000
Tenure		550		3,734	4,284
Issuance of common shares				34,000	34,000
Balance at February 28, 2010		213,221		164,124	377,345
Additions:					
Cash		10,000		107,000	117,000
Balance at February 28, 2011	\$	223,221	\$	271,124	\$ 494,345

Kispegas (KM) Property

In February 2008, the Company entered into an option agreement to earn a 100% interest, subject to a 2% NSR, in the KM Property located in British Columbia. The Company is required to:

- (a) Pay \$195,000 cash (paid).
- (b) Issue 365,000 common shares of the Company (issued and valued at \$66,700).
- (c) incur exploration or development expenditures totalling \$450,000 on the property as follows: at least \$125,000 in expenditures on or before October 15, 2009 (incurred); an additional \$160,000 on or before October 15, 2010 (incurred); And an additional \$165,000 on or before October 15, 2011.

The 2% NSR can be purchased at any time by the Company paying \$1,000,000 less all amounts previously paid under the option agreement as advances against the NSR. Commencing on June 15, 2011, and on the anniversary thereof each year until the property is placed in commercial production or abandoned by the Company, the Company shall pay \$25,000 in cash, or the equivalent in free-trading common shares of the Company, as an advance against the NSR to be paid on commercial production occurring.

The phase one of the exploration program had commenced in August 2009 consisted of duplicate sampling of previously identified areas of interest, geological mapping, prospecting, silt sampling, and rock sampling in the areas to the north, west, and east of the previously identified mineralized zone. The programme successfully extended the area of interest approximately 2 kilometres in all directions. In total, 33 rock samples, 14 silt samples, and 4 test-soil samples were taken during the course of the programme.

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The Company has acquired additional claims to cover newly discovered areas of mineralization and favourable geology. In the report, prospecting and rock sampling were carried out over a 4 sq. km area. This work resulted in the discovery of several new high-grade zones.

The phase two of the exploration program had commenced in August 2010 consisted of geological mapping, trenching, and sampling which concentrated on the previously under explored west-central portion of the property. In addition a mapping program was conducted focusing on the incipient structures which may control sill emplacement and gold mineralization in area.

Exploration expenditures of \$154,393 were incurred for the year ended February 28, 2011 on the KM Property and \$107,000 in option costs were incurred for this same time period towards acquisition of the mineral property.

	Assays	Geological consulting	Field expenses	Mineral credit recoverable	Total
February 28, 2010	\$ -	\$ 27,027	\$116,443	-	\$ 143,470
Additions	14,180	-	140,213	-	154,393
February 28, 2011	\$14,180	\$ 27,027	\$ 256,656	\$ -	\$ 297,863

From inception of the project to the period ended February 28, 2011 total costs of \$568,987 have been incurred, comprised of \$271,124 for acquisition or option costs and \$297,863 for exploration costs.

Kaslo Property

On May 10, 2006, the Company entered into an option agreement and subsequent amendments and earned a 100% interest, subject to a 2% NSR, in the Kaslo Property located in British Columbia by way of having made the following payments:

- (a) \$150,000 cash.
- (b) 200,000 common shares of the Company valued at \$45,750.
- (c) minimum \$250,000 exploration expenditures.

The 2% NSR can be purchased at any time by the Company paying \$1,000,000 less all amounts previously paid under the option agreement as advances against the NSR. Commencing on June 15, 2009, and on the anniversary thereof each year until the property is placed in commercial production or abandoned by the Company, the Company shall pay \$10,000 in cash, or the equivalent in common shares of the Company, as an advance against the NSR to be paid on commercial production occurring. All advance royalties so paid by the Company shall be recoverable by the Company, together with interest at a rate of prime plus 2% per annum, from 90% owing of the royalty payable on commercial production. The Company has paid cash \$10,000 in fiscal 2010 and accrued \$10,000 as of February 2011 (subsequently paid).

The exploration program was successful in expanding and delineating a 3,000-meter long gold soil anomaly which varies in width from 100 to 300 metres. Exploration models for gold associated with structurally controlled listwanite alteration and quartz veins and/or faults/shears are proposed.

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Expenditures incurred up to February 28, 2011 on the Kaslo Property totalled \$541,644, comprised of \$223,221 for acquisition or option costs and \$318,423 for exploration costs. However, no exploration expenses were incurred on the Kaslo Property during the twelve month period ending February 28, 2011.

	Assays	Geological consulting	Field expenses	Mineral credit recoverable	Total
February 28, 2010	\$ 114,026	\$ 87,171	\$ 138,444	\$ (21,218)	\$ 318,423
Additions	-	-	-	-	-
February 28, 2011	\$ 114,026	\$ 87,171	\$ 138,444	\$ (21,218)	\$ 318,423

Further exploration is recommended to determine the source of a large gold in soil anomaly located in the central portion of the property. This anomaly appears to be structurally controlled, as it trends across lithologies.

SELECTED FINANCIAL INFORMATION

The following table reflects the results of financial information as of February 28, 2011 compared to the year end results of February 28, 2010 and 2009.

Balance Sheet:

As at:	February 28, 2011	February 28, 2010	February 28, 2009
Mineral property interest	\$ 494,345	\$ 377,345	\$ 276,061
Deferred exploration costs	\$ 616,286	\$ 461,893	\$ 303,423
Total assets	\$ 1,599,506	\$ 853,007	\$ 967,706
Total liabilities	\$ 95,742	\$ 66,525	\$ 29,506
Shareholders' equity	\$ 1,503,764	\$ 786,482	\$ 938,200
Number of common shares	22,761,176	14,261,176	14,061,176

Results for the twelve months ended February 28, 2011:

During the twelve months ended February 28, 2011, total assets increased by \$746,499 to \$1,599,506 from \$853,007 as at February 28, 2010. This is mostly due to the increase in cash balance from financings with gross proceeds \$500,000 and \$540,000 raised in the two private placements of May 2010 and February 2011, this is partly offset by additional acquisitions mainly in the KM property as per option agreement, as well as increased legal fees and marketing fees due to increased activities and market exposures. Total liabilities increased by \$29,217 to \$95,742 from \$66,525 as at February 28, 2010. The increase resulted from more activities this year such as the exploration program on the KM Property and increased market exposures.

Mineral property interests as at February 28, 2011 increased by \$117,000 to \$494,345 from \$377,345 as at February 28, 2010. The increase was due to two cash option payments of \$53,500 for the KM Property as per the agreement as well as the \$10,000 NSR paid according to the Kaslo option agreement.

Deferred exploration expenditures increased by \$154,393 to \$616,286 from the February 28, 2010 balance of \$461,893. This was due to the 2010 exploration program started in August 2010 and completed in October 2010 on the KM Property. This year's program consisted of geological mapping, trenching, and

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sampling which concentrated on the previously underexplored west-central portion of the property. In addition a mapping program was conducted focusing on the incipient structures which may control sill emplacement and gold mineralization in area. The exploration work carried out during the summer has expanded the area of mineralized showings to an area of 10 square kilometers.

Summary of Operating Results:

The following table reflects the summary of results of the financial information of the Company for the years ended February 28, 2011, 2010 and 2009.

	February 28, 2011	February 28, 2010	February 28, 2009
Total Revenue	Nil	Nil	Nil
Net Loss	\$ (438,624)	\$ (185,718)	\$ (235,231)
Net Loss per Share	\$ (0.03)	\$ (0.01)	\$ (0.02)

Summary of Quarterly Results

\$	2011Q4	2011Q3	2011Q2	2011Q1	2010Q4	2010Q3	2010Q2	2010Q1
Total revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss	(75,699)	(122,395)	(67,636)	(172,894)	(55,644)	(39,989)	(67,719)	(22,366)
Net loss per share	(0.01)	(0.01)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)
Mineral property interests	494,345	495,279	494,345	430,845	377,345	340,344	326,611	276,061
Deferred exploration costs	616,286	605,950	546,893	461,893	461,893	446,893	413,803	303,423
Total assets	1,599,506	1,151,416	1,207,113	1,286,679	853,007	837,975	912,362	930,554
Long term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total liabilities	95,742	72,922	43,989	55,918	66,525	29,849	64,247	14,720
Shareholders' equity	1,503,764	1,078,504	1,163,124	1,230,761	786,482	808,126	848,115	915,834

RESULT OF OPERATIONS

For the twelve months ended February 28, 2011 the Company incurred a net loss of \$438,624 compared to \$185,718 for the same period last year, an increase of \$252,906. The increase in the net loss is primarily due to the cost of \$184,578 for the issuance of non-cash stock based compensation. This included \$156,987 (2009 - \$nil) of stock based compensation to related parties, representing the fair value of 1,450,000 of options granted to directors and officers (2009 - nil), of which 200,000 options expired due to the resignations of directors. In addition it included \$27,591 (2009 - \$nil) of stock based compensation to non-related parties. Of this \$12,682 was granted to an external consulting firm pursuant to an Investor Relations agreements whose options expired due to expiration of the IR Agreement. The remaining \$14,909 represents the fair value of 200,000 options granted to an outside consultant. There was an increase in filing fees of \$9,688 and increase in marketing fees in 2011 of \$39,494 and investor relations fees of \$15,000 all due to increased efforts in marketing awareness. In addition, there were increases in professional fees of \$8,585 due to the accrual of the 2011 audit fee for the twelve months period as well as increased legal fees of \$3,688 and \$14,833 of accounting service fees. There was an increase of \$7,763 in administration and office fees. The increase of \$6,229 in management fees is due to additional related party consulting fees.

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The operating losses are a reflection of the Company's status as a non-revenue producing mineral exploration company. As the Company has no source of income at this time, losses are expected to continue for the foreseeable future.

SUMMARY OF FOURTH QUARTER RESULTS

During the three months ended February 28, 2011, the Company incurred a net loss of \$77,171 compared to the net loss of \$55,644 for the three months ended February 28, 2010. There were increases of office and administration costs of \$5,647, and a \$7,420 increase in management fees due to increased use of consultants. The marketing cost of \$7,458 resulted from increased efforts in creating market awareness for the Company. This was somewhat offset by professional fees decreasing by \$14,872. In addition there was a stock based compensation cost of \$19,132 in the current period compared to none in the prior period due to the setting of new options for board members and consultants.

CAPITAL RESOURCES AND LIQUIDITY

The Company is in the exploration stage and has no revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its equity or debt securities or joint venture agreements to raise capital. It follows that there can be no assurance that financing, whether debt or equity, will be available to the Company in the amount required by the Company at any particular time or for any period and that such financing can be obtained on terms satisfactory to the Company.

The Company's financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its ongoing commitments and further its mineral exploration programs.

The Company may encounter difficulty sourcing future financing in light of the unknown economic recovery. The current financial equity market conditions have improved since the global financial crisis, therefore making the funding market easier to raise capital through the private placements of shares. The junior resource industry is still affected by the world economic situation as it is considered speculative and high-risk in nature, making it somewhat difficult to fund. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with the financing ventures.

As of February 28, 2011, the Company had working capital of \$393,133, compared to a working capital deficiency of \$52,756 at the prior year end of February 28, 2010. This improvement in working capital is due to the two private placements in May 2010 as well as the February 2011 financing:

- i) On May 11, 2010, the Company announced that it had completed the first tranche of its non-brokered private placement financing with Pacific Wally Capital Inc. ("Pacific Wally"). Cavan issued a total of 1,250,000 units at a price of \$0.20 per unit for gross proceeds of \$250,000 in this initial closing. Each of the units consisted of one common share, plus one half of one non-transferable share purchase warrant. Each whole warrant entitled the holder to purchase one additional common share at a price \$0.30 per share for a period of two years.

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- ii) May 19, 2010 – the Company announced that it had completed the second and final tranche of its non-brokered private placement financing with Pacific Wally Capital Inc. (“Pacific Wally”). Cavan issued a total of 1,250,000 units at a price of \$0.20 per unit for gross proceeds of \$250,000 in this second closing. Each of the units consisted of one common share, plus one half of one non-transferable share purchase warrant. Each whole warrant entitled the holder to purchase one additional common share at a price \$0.30 per share for a period of two years.
- iii) On February 28, 2011, the Company completed a non-brokered private placement financing for gross proceeds of \$540,000 where 6,000,000 units of the Company’s shares were issued at a price of \$0.09 per unit. Each of the Units consisted of one common share, plus one half of a non-transferable share purchase warrant. Each whole warrant entitled the holder thereof to purchase one additional common share of the Company at a price of \$0.15 per share for a period of two years following the closing of the Private Placement.

The proceeds of the private placement have been used for general working capital purposes. All securities issued in connection with this private placement were subject to a four-month hold period.

TRANSACTIONS WITH RELATED PARTIES

During the year ended February 28, 2011, the Company recorded \$184,578 (2010 - \$nil) of stock based compensation, which represented the fair value of 1,450,000 options granted to directors, officers and consultants (2010 - nil). Of the options granted, 200,000 options expired due to resignation of directors.

During the year ended February 28, 2011, the Company paid management fees to companies solely owned by directors and officers of the Company in cash of \$77,856 (2010 - \$61,555).

In addition, the Company paid accounting fees which were included in professional fees of \$16,640 (2010 - \$nil) to a company owned by a spouse of a director of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount, which was the amount of consideration established and agreed to by the related parties.

OUTSTANDING SHARE DATA

The Company’s authorized share capital is unlimited common shares without par value. As at February 28, 2011, there were 22,761,176 issued and outstanding common shares, 1,550,000 stock options outstanding, with option exercise prices ranging from \$0.15 to \$0.19 per share and 4,250,000 warrants outstanding, each with a warrant exercise price \$0.15 per share. Please refer to the February 28, 2011 audited year end financial statements (Notes 5 & 6).

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance sheet arrangements.

PROPOSED TRANSACTIONS

There are no proposed transactions approved by the Board of Directors as of the date of this Management Discussion and Analysis.

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SUBSEQUENT EVENTS

- a) On April 27 2011, the Company signed an agreement with Q-Gold Resources (“Q-Gold”) and World Fortune Enterprise Inc. (“WFEI”). WFEI has been granted an option by Q-Gold to acquire a 65% interest in the BLM Mining Claims in the Peck Mining District of Pavaipai County, Arizona. WFEI assigned the Company all of its rights and obligations under the BLM Option Agreement.

In consideration for the transfer of WFEI’s right to the BLM Option Agreement, the Company will pay WFEI \$325,000 in cash or issue equivalent shares (paid \$25,000 cash in March 2011). the Company agreed to assume all of WFEI’s obligations and agreed to incur work commitments in the aggregate of \$1,000,000 and to pay Q-Gold a total \$275,000 in cash and issue \$300,000 in shares. Completion of the transaction is subject to TSX Venture Exchange acceptance.

- b) In April, 2011, the Company granted 250,000 incentive stock options to the new President and CEO exercisable at \$0.19 per option for a period of five years.

OUTLOOK

The Company completed Phase two of the exploration program on the Kaslo Property. Phase one of the program consisted of installation of a 17 km geochemical soil grid. Assay results from this program have been received from Acme Labs of Vancouver, BC and have resulted in a 300 metre extension of the 1100 metre multi-element soil anomaly which was outlined in the previous work program. Phase two exploration program was completed. The Company received an assessment report on the rock and soil geochemical sampling, geological mapping and ground magnetometer survey. In the report a total of 1216 soil samples and 41 rock samples were collected and submitted for geochemical analysis. In addition a magnetometer survey was completed over a 97 line-kilometre grid. Several hand-trenches were also completed and several historic workings were evaluated. Further exploration is recommended to determine the source of a large gold in soil anomaly located in the central portion of the property. This anomaly appears to be structurally controlled, as it trends across lithologies. The exploration programme was successful in expanding and delineating a 3000-meter long gold soil anomaly which varies in width from 100 to 300 metres. Exploration models for gold associated with structurally controlled listwanite alteration and quartz veins and/or faults/shears are proposed. To date the Company has spent \$318,423 in exploration cost on the Kaslo Project.

The Company finished Phase one of the KM Mineral Property exploration program in 2009. The exploration program had consisted of duplicate sampling of previously identified areas of interest, geological mapping, prospecting, silt sampling, and rock sampling in the areas to the north, west, and east of the previously identified mineralized zone. The programme successfully extended the area of interest approximately 2 kilometres in all directions. In total, 33 rock samples, 14 silt samples, and 4 test-soil samples were taken during the course of the programme. The Company also acquired additional claims to cover newly discovered areas of mineralization and favourable geology. In the report, prospecting and rock sampling were carried out over a 4 sq. km area. This work resulted in the discovery of several new high-grade zones. The summer exploration program of 2010 was also completed during the current fiscal year. This year’s programme consisted of geological mapping, trenching, and sampling which concentrated on the previously underexplored west-central portion of the property. In addition a mapping program was conducted focusing on the incipient structures which may control sill emplacement and gold mineralization in area. To date the Company has spent \$296,930 in exploration cost on the KM Project.

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The Company will review the results of the exploration of the two programs to determine whether the Option on the Kaslo Property and KM Property should be retained and whether further exploration programs are warranted.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the Financial Statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process. The Company has not recorded any amounts in respect of impairment of its properties.

Development Stage

Management has determined that the Company is in the development stage. This requires management to make assumptions as to when the Company will reach commercial production, particularly assumptions regarding sustainable and feasible production levels, resource estimations and market conditions.

Recoverability of Mineral Properties and Deferred Exploration Costs

Property acquisition costs and related direct exploration costs may be deferred until the properties are placed into production, sold, abandoned, or written down, where appropriate. The Company's accounting policy is to capitalize exploration costs consistent with Canadian GAAP and applicable guidelines for exploration stage companies. The policy is consistent with other junior exploration companies which have not established mineral reserves objectively. An alternative policy would be to expense these costs until sufficient work has been done to determine that there is a probability a mineral reserve can be established; or alternatively, to expense such costs until a mineral reserve has been objectively established. Management is of the view that its current policy is appropriate for the Company at this time. This requires management to make critical assumptions of future events and circumstances, in particular, that each of the properties will reach a full scale permit status, that a market exists, and that reserves can be established at market prices that exceed the cost of extracting the underlying resources. Based on annual impairment reviews made by management, or earlier if circumstances warrant, in the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down charged to operations. A write-down may be warranted in situations where a property is to be sold or abandoned; or exploration activity ceases on a property due to unsatisfactory results or insufficient available funding.

Asset Retirement Obligations

Significant estimates are made in respect of the Company's asset retirement obligations. The Company's proposed mining and exploration activities are subject to various laws and regulations for federal, regional and provincial jurisdictions governing the protection of the environment. These laws are continually changing. The Company believes its operations are in compliance with all applicable laws and regulations. The Company expects to make, in the future, expenditures to comply with such laws and regulations but cannot predict the full amount or timing of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements. Reclamation and remediation obligations arise

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from the acquisition, development, construction and normal operation of mining property, plant and equipment. The Company has only performed exploratory work on its mineral properties, and has not incurred significant reclamation obligations. No asset retirement obligation accrual was made in these financial statements in respect to its properties.

Stock-based Compensation

Another significant estimate relates to accounting for stock-based compensation. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the period. Unlike other figures in the accounts, this is a calculated amount not based on historical cost, but on subjective assumptions introduced to an option pricing model, in particular: (1) an estimate for the average future hold period of issued stock options before exercise, expiry or cancellation and (2) future volatility of the company's share price in the expected hold period (using historical volatility as a reference). The resulting value calculated is not necessarily the value which the holder of the option could receive in an arm's length transaction, given that there is no market for the options and they are not transferable.

Future Income Tax Valuation Allowance

The Company has certain future income tax assets arising as a result of non-capital income tax losses carried forward, unrealized foreign exchange losses and amortization of property, plant and equipment. The Company records a valuation allowance against future income taxes because the criteria for their recognition have not been met. This requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the estimated likelihood and timing of reversal of temporary differences, and the likelihood of reaching commercial production in the future.

Financial Instruments

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

CHANGES IN ACCOUNTING POLICIES

Business Combinations, Consolidations, Non-Controlling Interests

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 1582 *Business Combinations*, 1601 *Consolidated Financial Statements* and 1602 *Non-controlling Interests* which replace CICA Handbook Sections 1581 *Business Combinations* and 1600 *Consolidated Financial Statements*. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These Sections are applicable for interim and annual consolidated financial statements for fiscal years beginning March 1, 2011. Early adoption of these sections is permitted and all three sections must be adopted concurrently.

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INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) CHANGE OVER PLAN

The Company will be required to report utilizing IFRS effective with the quarter of May 31, 2011 and for the fiscal year ending February 28, 2012. In order to accomplish this, the Company will need to have a comparative statement prepared utilizing IFRS available for May 31, 2010. Financial statement numbers for comparatives will be restated for comparative purpose.

The Company has commenced the planning process to transition from GAAP to IFRS and has determined that the process will comprise various phases. The phases would be scoping and diagnosis, then analysis and quantification and finally evaluation and implementation.

A preliminary diagnostic review indicates that the greatest areas of impact would be the impairment of assets, financial instruments, related party transactions and initial adoption alternatives under IFRS 1.

The analysis and quantification and evaluation stage specifies the changes, their impact on accounting policies and information systems and an analysis of alternatives allowed under IFRS 1. The Company has not determined the potential impact on future financial statements and reporting at this time.

The implementation phase involves the execution of changes to information systems and authorization to accounting policy changes followed by the collection of financial information necessary to compile the IFRS financial statements.

IFRS 1 is a first time adoption Standard which provides companies adopting IFRS for the first time numerous optional exemptions and mandatory exceptions. The accounting policy choices are being evaluated and those determined to be appropriate are anticipated to be adopted.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company’s CEO and CFO have elected to certify its annual filings under the venture issuer basic certificate. The Company’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the venture issuer basic certificate, which requires the Company’s CEO and CFO to certify the following:

- i) that they have reviewed the annual financial statements and annual MD&A, including for greater certainty all documents and information that are incorporated by reference in the annual filings of the Company for the fiscal period;
- ii) that having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made for the fiscal period;
- iii) that having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented in the filings.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in

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additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

In contrast to the disclosures required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109.

The certifying officers filing this MD&A are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation;
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

RISKS AND UNCERTAINTIES

The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, metal prices, political and economical. The commercial viability of any mineral deposit depends on many factors not all of which are within the control of management. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure, government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations. Each of these could have an impact on the economic viability of a mineral deposit. Management attempts to mitigate its exploration risk by maintaining a diversified portfolio and a strategy of possible joint ventures with other companies which balances risk while at the same time allowing properties to be advanced.

The Company has no significant source of operating cash flow and no revenues from operations. None of the Company's mineral properties currently have reserves. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish reserves. The properties that the Company has an option to earn an interest in are in the exploration stage only, are without known bodies of commercial mineralization and have no ongoing mining operations. Mineral exploration involves a high degree of risk and few exploration properties are ultimately developed into producing mines. Exploration of the Company's mineral properties may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters.

CAVAN VENTURES INC.
FORM 51-102F1
Management Discussion and Analysis
For the Year Ended February 28, 2011

APPROVAL

The Board of Directors of Cavan Ventures Inc. have approved the disclosure contained in this quarterly MD&A.