

**CAVAN VENTURES INC.**  
**FORM 51-102F1**  
**Management Discussion and Analysis**  
**For the Three and Six Months Ended August 31, 2010**

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## **INTRODUCTION**

This discussion and analysis of the unaudited interim financial position and results of operations are prepared as at October 29, 2010 and should be read in conjunction with the unaudited interim financial statements for the six months ended August 31, 2010 for Cavan Ventures Inc. (the “Company”) and the audited annual financial statements for the year ended February 28, 2010. The unaudited interim 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](http://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 Kisegegas (KM Claims) Property (“KM Property”).

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**MINERAL PROPERTIES**

	Kaslo Property (previously called Emerald Property)	KM Property (previously called Kisgegas 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 August 31, 2010	\$ 223,221	\$ 271,124	\$ 494,345

**Kisgegas (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 the Omineca Mining Division of British Columbia, by making the following payments:

- (a) Total cash payments of \$195,000, which has been fully paid.
- (b) 365,000 common shares of the Company, to be issued on or before February 14, 2010. As of February 28, 2010, the Company has issued 365,000 shares valued at \$66,700.
- (c) The Company has committed to 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 (expended, see Note 4); an additional \$160,000 on or before October 15, 2010 (expended in part, see Note 4); 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 \$85,000 were incurred for the six month period up to August 31, 2010 on the KM Property and \$107,000 in option costs were incurred for this same time period.

	Assays	Geological consulting	Field expenses	Mineral credit recoverable	Total
February 28, 2010	-	27,027	116,443	-	143,470
Additions	-	-	85,000	-	85,000
August 31, 2010	\$ -	\$ 27,027	\$ 201,443	\$ -	\$ 228,470

From inception of the project to the period ended August 31, 2010 total costs of \$499,594 have been incurred, comprised of \$271,124 for acquisition or option costs and \$228,470 for exploration costs.

**Kaslo Property (previously called Emerald Property)**

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

- (a) Total cash payments of \$150,000, which has been fully paid.
- (b) 200,000 common shares of the Company issued in 3 tranches valued at \$45,750.
- (c) Incurred exploration or development expenditures totalling at least \$250,000 before November 15, 2008.

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 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.

Expenditures incurred up to August 31, 2010 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 six month period ending August 31, 2010.

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	Assays	Geological consulting	Field expenses	Mineral credit recoverable	Total
February 28, 2010	\$ 114,026	\$ 87,171	\$ 138,444	\$ (21,218)	\$ 318,423
Additions	-	-	-	-	-
August 31, 2010	\$ 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 August 31, 2010 and 2009 compared to the year end results of February 28, 2010 and 2009.

***Balance Sheet:***

As at:	August 31, 2010	February 28, 2010	August 31, 2009	February 28, 2009
Mineral property interest	\$ 494,345	\$ 377,345	\$ 326,611	\$ 276,061
Deferred exploration costs	\$ 546,893	\$ 461,893	\$ 413,803	\$ 303,423
Total assets	\$ 1,207,113	\$ 853,007	\$ 912,362	\$ 967,706
Total liabilities	\$ 43,989	\$ 66,525	\$ 64,247	\$ 29,506
Shareholders' equity	\$ 1,163,124	\$ 786,482	\$ 848,115	\$ 938,200
Number of common shares	16,761,176	14,261,176	14,061,176	14,061,176

***Results for the six months ended August 31, 2010:***

During the six months ended August 31, 2010, total assets increased by \$354,106 to \$1,207,113 from \$853,007 as at February 28, 2010. This is mostly due to the increase in cash balance from financing of gross proceeds \$500,000 raised in the private placement, and reduced by additional acquisitions mainly in the KM property as per option agreement. Total liabilities decreased by \$22,536 to \$43,989 from \$66,525 as at February 28, 2010. The decrease is due to the paying down of accounts payables from the improved cash position of the Company.

Mineral property interests as at August 31, 2010 increased by \$117,000 to \$494,345 from the \$377,345 as at February 28, 2010. The increase was due to the two \$53,500 cash option payments for KM Property as per the agreement as well as the \$10,000 NSR accrued according to the Kaslo option agreement.

Deferred exploration expenditures increased by \$85,000 to \$546,893 from the February 28, 2010 balance of \$461,893, which is due to the 2010 exploration program started in August 2010 and completed in subsequent months. This year's program 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. The exploration work carried out this summer has expanded the area of mineralized showings to an area of 10 square kilometers.

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***Summary of Operating Results:***

The following table reflects the summary of results for the financial information of the Company for the three and six months ended August 31, 2010 and 2009.

	For the three-months ended		For the six-months ended	
	August 31, 2010	August 31, 2009	August 31, 2010	August 31, 2009
Total revenue	Nil	Nil	Nil	Nil
Net Loss	\$ (67,636)	\$ (67,719)	\$ (240,530)	\$ (90,085)
Net loss per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)

***Summary of Quarterly Results***

	\$	2011Q2	2011Q1	2010Q4	2010Q3	2010Q2	2010Q1	2009Q4	2009Q3
Total revenue		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss		(67,636)	(172,894)	(55,644)	(39,989)	(67,719)	(22,366)	(16,300)	(63,950)
Net loss per share		(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Mineral property interests		494,345	430,845	377,345	340,344	326,611	276,061	276,061	208,061
Deferred exploration costs		546,893	461,893	461,893	446,893	413,803	303,423	303,423	312,087
Total assets		1,207,113	1,286,679	853,007	837,975	912,362	930,554	967,706	990,768
Long term liabilities		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total liabilities		43,989	55,918	66,525	29,849	64,247	14,720	29,506	7,364
Shareholders' equity		1,163,124	1,230,761	786,482	808,126	848,115	915,834	938,200	983,404

**SUMMARY OF OPERATIONS FOR THREE AND SIX MONTHS**

During the three months ended August 31, 2010, the Company incurred a net loss of \$67,636 compared to the net loss of \$67,719 for the three months ended August 31, 2009. There were increases of administration costs of \$6,604, \$5,000 in professional fees for the accrual of the 2011 audit, marketing cost of \$10,675 and investor relations cost of \$7,500, for increased efforts in market awareness for the Company. The increase in costs this period is offset by a one time write down of \$30,000 of investigative costs last year for a potential property deal, and therefore netting to only slight changes in the three months ended.

For the six months ended August 31, 2010 the Company incurred a net loss of \$240,530 compared to \$90,085 for the same period last year, an increase of \$150,445. The increase in the net loss is primarily due to the cost of \$127,672 for the issuance of non-cash stock based compensation which is comprised of \$89,027 (2009 - \$nil) of stock based compensation, which represents the fair value of 450,000 of options granted to directors and officers (2009 - nil). In addition the Company recorded \$38,645 (2009 - \$nil) of stock based compensation to an external consulting firm pursuant to an Investor Relations agreements. There was an increase in filing fees of \$8,926, a new marketing fee in 2010 of \$10,675 and a new investor relations fee of \$7,500, as well as increase in professional fees of \$14,642 due to a \$10,000 2011 audit fee accrual for the six month period.

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.

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**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 two years ago the global financial crisis and 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 August 31, 2010, the Company had a working capital of \$121,887, compared to working capital deficiency of (\$52,756) in year end of February 28, 2010. This increase in working capital is due to the private placement in May of the following two tranches:

- 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 will consist of one common share, plus one half of one non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price \$0.30 per share for a period of two years.
- 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 will consist of one common share, plus one half of one non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price \$0.30 per share for a period of two years.

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

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**TRANSACTIONS WITH RELATED PARTIES**

During the six months ended August 31, 2010, the Company recorded \$89,027 (2009 - \$nil) of stock based compensation, which represents the fair value of 450,000 of options granted (2009 - nil) to directors and officers of the Company.

During the six months ended August 31, 2010, the Company paid management fees to a company solely owned by a director and officer of the company in cash of \$30,000 (2009 - \$30,000).

During the six months ended August 31, 2010, the Company paid accounting and administration fees to a company that is related to a director and officer of the company in cash of \$7,800 (2009 - \$nil).

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 October 29, 2010, there were 16,761,176 issued and outstanding common shares, 950,000 stock options outstanding, with option exercise prices ranging from \$0.15 to \$0.32 per share and 2,150,000 warrants outstanding, with warrant exercise prices from \$0.30 to \$0.50 per share. Please refer to the August 31, 2010 unaudited interim financial statements (Notes 5 & 6).

**OFF BALANCE SHEET ARRANGEMENTS**

The Company does not have any off balance sheet arrangements.

**PROPOSED TRANSACTIONS**

See the subsequent events note b.

**SUBSEQUENT EVENTS**

- a. The 2010 summer exploration program on the KM property has been completed. This year's program 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. The exploration work carried out this summer has expanded the area of mineralized showings to an estimated area of 10 square kilometers.
- b. On October 11, 2010, the Company issued a letter of intent with Antis S.R.L. of La Paz, Bolivia to purchase a 100% interest in the Carma Gold Project located 35 kilometers south of Potosi, Bolivia. The terms would consist of total cash payments of \$1,040,000 set out as per the following:
  - i. \$40,000 to be held in trust as a deposit until the completion and execution of the definitive agreement;
  - ii. \$100,000 to be paid upon the 6 month anniversary of the closing date of the transaction;
  - iii. \$150,000 to be paid upon the 12 month anniversary of the closing date of the transaction;

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- iv. \$250,000 to be paid upon the 24 month anniversary of the closing date of the transaction;
- v. \$500,000 to be paid upon the 36 month anniversary of the closing date of the transaction; and
- vi. providing the vendor a 2.5% net smelter royalty (“NSR”) with respect to the property, subject to which, the Company will have the right, but not the obligation, to purchase the 2.5% NSR at any time in exchange for a \$500,000 cash payment.

This Agreement is subject to approval by the Board of Directors, regulatory approval and upon the satisfactory completion of the Company conducting its due diligence.

- c. On October 7, 2010, two new directors were awarded 250,000 options with an exercise price of \$0.15 and that will expire on October 7, 2015.

**COMMITMENTS**

The financial commitments are summarized below:

**August 31,**

	Mineral Property	Administrative	Total
2011	\$ 85,000	25,960	\$ 110,960
2012	175,000	-	175,000
<b>Total</b>	<b>\$ 260,000</b>	<b>25,960</b>	<b>\$ 285,960</b>

**OUTLOOK**

Kaslo Property, mineral property, had finished phase two of the exploration program. The Phase One of the program consisted of installation of a 17 km geochemical soil grid. Results from this program had 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. The 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, total 1216 soil samples and 41 rock samples were collected and submitted for geochemical analysis. A magnetometer survey was completed over a 97 line-kilometre grid. Several hand-trenches were 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 for the Kaslo Project.

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KM Property, mineral property, had been finished phase one of the 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 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 summer exploration program has also completed subsequent to the financial statement date. 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 \$228,470 in exploration cost for the KM Project.

The Company will review the results of the exploration programs to determine whether the Option on the Kaslo Property and KM Property should be retained and whether a further exploration program is 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-

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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 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 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.

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**CHANGES IN ACCOUNTING POLICIES**

On March 1, 2009, the Company adopted the following new accounting standards related to financial instruments and goodwill and intangible assets that were issued by the CICA. These changes in accounting policies have been adopted on a prospective basis. As at March 1, 2009, management determined there were no adjustments required to the Company's financial instruments as a result of adopting these policies.

***Goodwill and Intangible Assets – Section 3064***

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, which replaced existing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development. The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Management does not expect that the adoption of this new standard will have significant impact on the Company's financial statements.

***Credit Risk and the Fair Value of Financial Assets and Financial Liabilities – EIC 173***

In January 2009, the CICA approved EIC 173, Credit Risk and the Fair Value of Financial Assets and Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. Management does not expect that the adoption of this new standard will have significant impact on the Company's financial statements.

**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, analysis and quantification and evaluation and implementation.

A preliminary diagnostic review indicates that the greatest areas of impact such as 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.

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**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 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,

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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 properties, which are explored, 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.

**APPROVAL**

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