# CARAVAN ENERGY CORPORATION

**(also referred to as "Caravan", the "Corporation", or the "Company")**

**Management's Discussion & Analysis**

The following management discussion and analysis should be read in conjunction with the audited financial statements for the years ended June 30, 2023, and 2022 prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

All dollar figures included therein and in the following discussion analysis are quoted in Canadian dollars unless otherwise noted.

**Date**

This management's discussion and analysis ("MD&A") is dated October 16, 2023, and is in respect of the years ended June 30, 2023, and 2022. The discussion in this management's discussion and analysis focuses on this period. Estimates and forward-looking information are based on assumptions of future events and actual results may vary from these estimates. This MD&A is prepared in conformity with National Instrument 51- 102F1 and has been approved by the Board of Directors.

**Disclaimer for Forward-Looking Statements**

This MD&A contains forward-looking statements relating to future events. In some cases, forward-looking statements can be identified by such words as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" or similar expressions. These statements represent management's best projections, but undue reliance should not be placed upon them as they are derived from numerous assumptions. These assumptions are subject to known and unknown risks and uncertainties, including the business risks discussed in the MD&A which may cause actual performance and financial results to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

**Description of the Business**

Caravan Energy Corporation is a company incorporated on October 21, 2020, under the Business Corporations Act (British Columbia). The registered and records office of the Company is located at 2700 – 1133 Melville Street, Vancouver, BC V6E 4E5. The head office of the Company is located at 220 – 333 Terminal Avenue, Vancouver, BC V6A 4C1. The Company is in the business of acquiring, exploring and evaluating mineral resource properties in Canada.

The Company commenced trading on the Canadian Securities Exchange ("CSE") on March 17, 2023, under the trading symbol "CNRG".

**Exploration and Evaluation Assets**

On June 15, 2022, the Company entered into an option agreement to acquire a 100% undivided interest in the EBB Nickel-Cobalt Property subject to a 2% net smelter royalty payable to the optionor. This property is located near Port Renfrew, BC. In order to exercise the option agreement, the Company must make the following payments:

- Cash payment of $30,000 upon execution of the option agreement – paid;
- Cash payment of $35,000 within four months of executing the option agreement - paid;
- Share payment of 200,000 shares on the date the Company's shares are listed for trading on a stock

exchange in Canada – paid;

- Cash payment of $30,000 and share payment of 250,000 shares on the first anniversary of the date the Company's shares are listed for trading on a stock exchange in Canada;
- Cash payment of $40,000 and share payment of 300,000 shares on the second anniversary of the date the Company's shares are listed for trading on a stock exchange in Canada.

The Company is also obligated to incur the following expenditures under the option agreement in order to earn its interest:

- Incur expenditures of $110,000 on or before the first anniversary of the date the Company's shares are listed for trading on a stock exchange in Canada;
- Incur expenditures of $240,000 on or before the second anniversary of the date the Company's shares are listed for trading on a stock exchange in Canada.

The Company has the right to purchase 50% of the NSR, being one percent (1%), from the optionor in exchange for cash payment of $1,000,000 payable to the optionor.

During May 2023, the Company commenced its Phase 1 exploration work program on the EBB Nickel-Cobalt Property. The work program consisted of the following work:

- 2023 soil sampling work sampling work indicated coincidental silver, nickel and cobalt anomaly on the eastern part of the soil survey area. The soil sampling grid will be extended.
- Results obtained from MAG/VLF lines in the survey grid indicate four target areas A, B, C, and D. These areas will be followed up through further sampling.
- Extending the geophysical survey grid towards the east and west to check the extension of targets C and B.
- The upper reaches of the Property were not covered by ground prospecting and sampling work in 2023 due to snow cover. These areas will be covered during the current work.

On July 5, 2023, the Company completed the Phase 1 exploration work program. A total of 88 rock and 193 soil samples were collected during the program and sent for preparation and analysis. The work also included 13.5-line kilometers of ground magnetic and very low frequency (VLF) surveys.

**Selected Financial Information**

The following table sets out selected annual financial information for the Company, which has been prepared in accordance with IFRS:

| **Year ended June 30,** | **2023** | **2022** |
|---|---|---|
| | **$** | **$** |
| Total operating expenses | 980,399 | 67,000 |
| Net loss and comprehensive loss for the year | (1,083,347) | (67,000) |
| Basic and diluted loss per share for the year | (0.08) | (0.02) |
| Weighted average number of shares outstanding | 13,659,730 | 3,646,576 |

| **As at** | **June 30, 2023** | **June 30, 2022** |
|---|---|---|
| Cash | 127,107 | 358,025 |
| Current assets | 170,476 | 383,448 |
| Total assets | 401,381 | 423,948 |
| Total liabilities | 159,278 | 66,948 |
| Total equity | 242,103 | 357,000 |

**Results of Operations - Year Ended June 30, 2023**

The Company incurred a comprehensive loss of $1,083,347 (2022 – $67,000). The increase in comprehensive loss during the year ended June 30, 2023, relative to the 2022 comparative period was mostly due to the share-based compensation expense of $780,000 incurred during the year. The increase in comprehensive loss can also be attributed to an increase in professional fees and listing expenses, which were higher due to the Company's IPO.

*Operating Expenses*

During the year ended June 30, 2023, the Company incurred operating expenses of $980,399 (2022 – $67,000). This increase was due to the Company incurring additional professional fees in relation to its IPO and a share-based compensation expense of $780,000 on the grant of restricted share units.

Consulting fees increased to $49,730 (2022 - $17,000) during the year ended June 30, 2023. This increase was due to additional consulting fees incurred with directors and officers that were not in place during the 2022 comparative period.

Insurance expenses increased to $4,370 (2022 - $Nil) during the year ended June 30, 2023. This increase was due to the Company acquiring insurance in connection with becoming a public company.

Office and miscellaneous expenses increased to $5,290 (2022 - $438) during the year ended June 30, 2023. This increase was due to licensing fees incurred by the Company on the deal management software used to manage its special warrants financing.

Professional expenses increased to $73,400 (2022 - $49,326) during the year ended June 30, 2023. The increase is primarily due to a rise in legal and other professional fees related to the Company's IPO.

Salaries and benefits increased to $3,870 (2022 - $Nil) during the year ended June 30, 2023. The increase is due to a salary paid to an officer of the Company following completion of the IPO.

Transfer agent and regulatory fees increased to $55,339 (2022 - $236) during the year ended June 30, 2023. The increase is primarily due to filing fees relating to the Company's IPO. The Company also started incurring transfer agent fees after completion of its IPO in March 2023.

Exploration costs increased to $8,400 (2022 - $Nil) during the year ended June 30, 2023. This increase was due to investigations made by the Company into future possible mineral properties.

**Result of Operations - Three Months Ended June 30, 2023**

The Company incurred a comprehensive loss of $916,974 (2022 – $57,486). The increase in comprehensive loss during the three months June 30, 2023, relative to the 2022 comparative period was due to the Company incurring additional consulting and transfer agent and regulatory fees in relation to becoming a public company, as well as incurring a share-based compensation expense of $780,000 in June 2023 pursuant to granting restricted share units.

*Operating Expenses*

During the three months ended June 30, 2023, the Company incurred operating expenses of $916,949 (2022 – $57,486). This increase was due to the Company incurring additional consulting and transfer agent and regulatory fees in relation to becoming a public company. The Company also recognized $780,000 in share-based compensation expenses pursuant to granting restricted share units.

Consulting fees increased to $33,488 (2022 - $8,000) during the three months ended June 30, 2023. This increase was due to additional consulting fees incurred with directors and officers that were not in place during the 2022 comparative period.

Insurance expenses increased to $2,405 (2022 - $Nil) during the three months ended June 30, 2023. This increase was due to the Company acquiring insurance in connection with becoming a public company.

Office and miscellaneous expenses increased to $1,174 (2022 - $139) during the three months ended June 30, 2023. This change was not significant.

Professional fees decreased to $47,238 (2022 - $49,326) during the three months ended June 30, 2023. This change was primarily due to higher audit and accounting fees incurred in the three months ended June 30, 2022.

Salaries and benefits increased to $3,325 (2022 - $Nil) during the three months ended June 30, 2023. The increase is due to a salary paid to an officer of the Company following completion of the IPO.

Transfer agent and regulatory fees increased to $49,319 (2022 - $21) during the three months ended June 30, 2023. The increase is primarily due to the incurrence of filing and transfer agent fees relating to being a public company.

**Summary of Quarterly Results**

The following table provides selected quarterly financial data for the eight most recently completed quarters:

| | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **June 30, 2023** | **March 31, 2023** | **December 31, 2022** | **September 30, 2022** | **June 30, 2022** | **March 31, 2022** | **December 31, 2021** | **September 30, 2021** |
| Net loss for the period | (916,974) | (127,289) | (28,820) | (10,264) | (57,486) | (3,157) | (3,161) | (3,196) |
| Basic and diluted loss per share | (0.06) | (0.01) | (0.00) | (0.00) | (0.01) | (0.00) | (0.00) | (0.00) |

The Company has seen fluctuating earnings over its recent quarters. This is a result of the Company increasing its business activities following incorporation and as such, historical financial information is not comparable on a quarter-to-quarter basis.

**Disclosure of Outstanding Share Data**

Authorized share capital of the Company consists of an unlimited number of common shares without par value.

As of June 30, 2023, the Company had 15,236,500 common shares and 7,978,500 warrants outstanding. As of the date of this report, the Company had 36,883,979 common shares and 15,096,562 warrants outstanding. In addition, as of June 30, 2023, the Company had 2,000,000 restricted share units vested but not yet settled.

The following share capital transactions were completed during the year ended June 30, 2023:

- On December 2, 2022, the Company issued 1,977,500 special warrants in exchange for $197,750 in proceeds.

- On December 5, 2022, the Company issued 30,000 common shares and warrants for professional services.
- On March 15, 2023, the company issued 1,977,500 common shares on exercise of the special warrants upon completion of the Company's IPO.
- On March 17, 2023, the Company issued 200,000 common shares pursuant to the EBB Nickel-Cobalt property option agreement.
- During the period of March to June 2023, the Company received $5,800 in proceeds to exercise warrants and issued 29,000 common shares.

The following share capital transactions were completed during the year ended June 30, 2022:

- On March 21, 2022, the Company repurchased 1,500,001 common shares from a former director in exchange for a $7,500 loan payable to the director. The repurchased shares were transferred to treasury for cancellation.
- On April 19, 2022, the Company issued 6,000,000 common shares at a price of $0.02 per share for total proceeds of $120,000.
- On June 7, 2022, the Company issued 6,000,000 units at a price of $0.05 per unit for total proceeds of $300,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant is exercisable at a price of $0.10 until the earlier of June 7, 2025 and the date that is two years following the listing of the Company's shares on a stock exchange in Canada.

**Liquidity and Capital Resources**

Historically and prospectively, the Company's primary source of liquidity and capital resources has been and will continue to be proceeds from the issuance of shares. Based on our current level of operations and our expected results of operations over the next 12 months, we believe that cash generated from operations and cash on hand and anticipated future capital raises, will be adequate to meet our anticipated liquidity requirements, capital expenditures and working capital needs for the next 12 months. However, we cannot be certain that our business will be able to raise capital through the issuance of equity to continue operations.

As of June 30, 2023, the Company had a working capital surplus of $11,198 (2022 - $316,500). The working capital decrease as of June 30, 2023, was primarily due to the payment of professional and regulatory fees relating to the Company's IPO. As of June 30, 2023, the Company had cash on hand of $127,107 (2022 - $358,025) to meet current liabilities of $159,278 (2022 - $66,948).

Net cash used in operating activities for the year ended June 30, 2023, was $291,645 compared to $33,975 for the year ended June 30, 2022. The increase in net cash used is largely due to continued net losses due to not having revenues to cover operating expenses. Operating cash outflows were also higher during the year ended June 30, 2023, due to listing and filing costs incurred by the Company that were not in existence during the 2022 comparative period.

Net cash used in investing activities for the year ended June 30, 2023, was $97,223 compared to $40,500 for the year ended June 30, 2022. Investing cash outflows pertained to exploration activity and making option payments on the EBB Nickel-Cobalt Property.

Net cash from financing activities was $157,950 for the year ended June 30, 2023, compared to $420,000 in the year ended June 30, 2022. These cash inflows were due to proceeds received for the issuance of special warrants net of issuance costs and the repayment of a loan of $7,500. $5,800 in proceeds was also received in relation to the exercise of warrants during the months following the Company's IPO.

The Company does not have any commitment to make capital expenditures in future fiscal periods.

## Other Factors Affecting Liquidity

During the year ended June 30, 2023, the Company incurred a net loss of $1,083,347 (2022 - $67,000) and as at June 30, 2023, had an accumulated deficit of $1,151,347 (2022 - $68,000). The Company has not generated significant cash inflows from operations. These conditions cast significant doubt about the Company's ability to continue as a going concern. The Company may raise additional equity or debt capital or enter arrangements to secure necessary financing to fund the completion of projects, to meet obligations or for the general corporate purposes of the Company. Such arrangements may take the form of loans, strategic agreements, or other agreements. The sale of additional equity could result in additional dilution to the Company's existing shareholders, and financing arrangements may not be available to the Company, or may not be available in sufficient amounts or on acceptable terms.

From time to time, the Company may pursue various strategic business opportunities. These opportunities may include proposed development and/or management of investment in or ownership of additional businesses through direct investments, acquisitions, joint venture arrangements and other transactions.

The Company can provide no assurance that it will successfully identify additional opportunities or that, if it identifies and pursue existing opportunities, any of them will be consummated.

## Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

## Transactions with Related Parties

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. Key management personnel comprise officers and directors of the Company.

Related parties consist of the following individuals:

- Gurcharn Deol, CEO and director
- Spiral Investment Corp. – Company controlled by Gurcharn Deol
- Philip Ellard, CFO
- Robert Krause, Director
- 695809 B.C. Ltd. – Company controlled by Robert Krause
- Brian Thurston, Director
- Canmex Consulting & Leasing – Company controlled by Brian Thurston

Remuneration attributed to key management personnel during the years ended June 30, 2023 and 2022 is summarized as follows:

| | Nature of Transactions | 2023 | 2022 |
|---|---|---|---|
| **Consulting fees** | | | |
| Spiral Investment Corp. | Consulting | $ 26,000 | $ 12,000 |
| 695809 BC Ltd. | Consulting | 6,750 | 5,000 |
| Canmex Consulting & Leasing | Consulting | 11,000 | - |
| **Salaries and Benefits** | | | |
| Philip Ellard | Salaries and benefits | 3,640 | - |
| **Total** | | $ 47,390 | $ 17,000 |

Further, the Company incurred $17,190 (2022 - $Nil) with a separate management entity for the provision of CFO services, which is included in professional and consulting fees. As of June 30, 2023, the Company owed $3,015 (2022 - $6,000) to this management entity for the provision of CFO services. This balance is non-interest bearing, unsecured and due on demand.

As at June 30, 2023, the Company owed $10,250 (2022 - $1,000) to Spiral Investment Corp. and $250 (2022 - $Nil) to 695809 BC Ltd. These amounts are non-interest bearing, unsecured and due on demand.

**Financial Risks**

In the normal course of business, the Company is inherently exposed to certain financial risks, including market risk, credit risk and liquidity risk, through the use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. All transactions undertaken are to support the Company's operations. These financial risks and the Company's exposure to these risks are provided in various tables in Note 8 of the audited financial statements.

**Capital Management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue its operations and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk level.

The Company's primary source of capital is through the issuance of common shares. The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding. The Company may require additional capital resources to meet its operating expenses and investment needs.

The Company believes it will be able to raise capital as required but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital. There have been no changes in the way in which the Company manages capital during the year ended June 30, 2023.

On March 17, 2023, the Company's shares became listed on the CSE, and it is now subject to various CSE listing requirements.

**Critical Accounting Estimates and Judgments**

This MD&A is based on the financial statements which have been prepared in accordance with IFRS. The preparation of financial statements in compliance with IFRS requires management to exercise judgment in applying the Company's accounting policies and make certain critical accounting estimates. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Company's critical accounting estimates and judgments are set out in Note 2 to the audited financial statements for the years ended June 30, 2023 and 2022.

**Significant Accounting Policies**

The accounting policies followed by the Company are set out in Note 3 to the audited financial statements for the years ended June 30, 2023 and 2022.

**Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any new standards. The new standards and recent accounting pronouncements are set out in Note 2 to the audited financial statements for the years ended June 30, 2023 and 2022.

**Subsequent Events**

On July 12, 2023, the company received approval to begin trading on the OTCQB Venture Market under the symbol "CENCF".

On September 8, 2023, the Company entered into agreements to acquire rare earth TREO properties located near Prince George, BC. The properties are comprised of a total of 28 mineral claims and total 4,610 hectares.

Under the terms of the purchase agreements, the Company will acquire the claims by:

- Paying $100,000 in cash and issuing 4,363,636 common shares to acquire 24 TREO claims. These claims are subject to a 2% net smelter royalty. The Company may buy back 50% of the royalty on these claims for $1,000,000 in cash.

- Paying $100,000 in cash and issuing 1,045,454 common shares to acquire four TREO claims. $50,000 of the cash consideration is to be paid upon closing of the agreement with the remainder to be paid on or before January 31, 2024. These claims are subject to a 2% net smelter royalty. The Company may buy back 50% of the net smelter royalty on these claims through paying $500,000 in cash.

The Company also agreed to pay a finder's fee of 579,371 common shares in connection with securing these agreements.

On September 22, 2023, the Company entered into an agreement to acquire additional rare earth TREO properties comprised of a total of 5 mineral claims and total 6,449 hectares. Under the terms of the purchase agreements, the Company will acquire the claims by paying $50,000 in cash and issuing 100,000 common shares. These claims are subject to a 2% net smelter royalty. The Company may buy back 50% of the royalty on these claims for $1,000,000 in cash. On September 25, 2023, the seller of these claims was appointed as an officer of the Company.

The Company agreed to pay a finder's fee of 16,494 common shares in connection with the agreement.

On October 6, 2023, the Company issued 5,509,090 shares and paid $200,000 as required under the TREO claim acquisition agreements. 100,000 of these shares and $50,000 in cash was paid to an officer of the Company. 595,865 common shares were also issued to finders in connection with these agreements.

On October 6, 2023, the Company completed a non-brokered private placement financing of 7,262,524 non-flow through units at a price of $0.42 per unit for gross proceeds of $3,050,251 and 6,000,000 flow-through units at a price of $0.50 per unit for gross proceeds of $3,000,000. Each unit is comprised of one common share and one half of one common share purchase warrant at a price of $0.60 for a period of two years. The Company paid finder's fees and advisory fees comprised of an aggregate of 766,800 broker warrants and $348,994 in cash in connection with this private placement. Each broker warrant entitles its holder to purchase one common share at a price of $0.60 for a period of two years.

On October 6, 2023, the Company issued 2,000,000 common shares in connection with RSUs that had previously vested.

Subsequent to June 30, 2023, 280,000 shares were issued pursuant to warrant exercise requests. $56,000 in proceeds was received in connection with these requests.

**Management's Responsibility for Financial Statements**

Management of the Company, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operations of internal controls over financial reporting. There have been no changes in the Company's disclosure controls and procedures during the year ended June 30, 2023.

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

There have been no changes in the Company's internal control over financial reporting during the year ended June 30, 2023, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

*Limitations of Controls and Procedures*

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

*Additional Sources of Information*

This Management Discussion and Analysis has been reviewed and approved by Afzaal Pirzada, P.Geo. Mr. Pirzada has acted as a Qualified Person responsible for preparing, reviewing and approving all technical information disclosed by the Company, as required by National Instrument 43-101.