

# Prisma Exploration Inc.

## Management's Discussion and Analysis

### For the Years Ended December 31, 2023 and 2022

#### General

This management discussion and analysis should be read in conjunction with the financial statements and related notes thereto of Prisma Exploration Inc. (the "Company") for the years ended December 31, 2023 and 2022 (the "Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board. All amounts in the financial statements and this discussion and analysis are presented in Canadian dollars, unless otherwise indicated. This Management Discussion and Analysis ("MD&A") is dated April 16, 2024 and discloses specified information up to that date.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the financial statements and Management Discussion and Analysis ("MD&A"), is complete and reliable.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

#### Description of Business

The Company is a public company listed at the Canadian Securities Exchange. The Company commenced trading under the symbol "PMS" as at market open on January 17, 2022 and is focused on the acquisition, exploration, and development of mineral properties.

On February 11, 2022, the Company changed its name from Prisma Capital Inc. to Prisma Exploration Inc.

#### Exploration and Evaluation Assets

##### *McGillivray Property*

On October 5, 2020, the Company entered into a definitive agreement to acquire 100% undivided interest in twenty (20) mineral claims comprising the property called "McGillivray" located near Lytton, in the Kamloops Mining Division of British Columbia.

In consideration for the 100% undivided interest in the property, the Company shall pay the aggregate sum of \$212,500 which includes the deposit of \$7,500, as paid at the time of signing of the agreement, issue to the optionor a total of 900,000 shares and complete a minimum expenditure, as per the below schedule:

Date	Shares		Cash Payment		Expenditures			
On signing	100,000	(issued)	\$	7,500	(paid)	\$	55,000	(met)
1st anniversary	100,000	(issued)		10,000	(paid)		-	
2nd anniversary	100,000	(issued)		15,000	(paid)		50,000	(waived)
3rd anniversary	200,000	(accrued)		30,000	(accrued)		-	
4th anniversary	200,000			50,000			50,000	
5th anniversary	200,000			100,000			-	
<b>Total</b>	<b>900,000</b>		<b>\$</b>	<b>212,500</b>		<b>\$</b>	<b>155,000</b>	

Further, under the McGillivray option agreement, the Company and the optionor have also agreed upon a net smelter return royalty (the “NSR”), pursuant to the terms and consideration of which the optionor shall receive the 2% NSR from the Company. The Company can repurchase the 1.5% NSR upon payment to the optionor of \$1,000,000. On the commencement of commercial production, the NSR shall be increased to 3%.

During the year 2022, pursuant to the 2nd anniversary obligation laid out in the option agreement, the Company has accrued \$15,000 for the cash portion and recognized an obligation to issue 100,000 shares of the Company at a fair value of \$17,500. On April 4, 2023, the Company made the cash payment and on April 11, 2023, the Company issued the 100,000 shares at a fair value of \$10,000.

During the year ended December 31, 2023, pursuant to the 3rd anniversary obligation laid out in the option agreement, the Company accrued \$30,000 for the cash portion and recognized an obligation to issue 200,000 shares of the Company at a fair value of \$30,000. The Company adjusted its obligation to issue shares to a fair value of \$21,000 on December 31, 2023, with an unrealized gain of \$9,000 (December 31, 2022 – unrealized loss of \$4,000).

On March 28, 2024, the optionor agreed to extend the Company’s obligations to fulfill the 3rd anniversary commitments to October 2, 2024

The following is a description of the Company’s exploration and evaluation asset and the related expenditures incurred for the years ended December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
<b>Property acquisition costs</b>		
Balance, beginning	\$ 58,500	\$ 30,000
Additions	60,000	28,500
<b>Balance, ending</b>	<b>118,500</b>	<b>58,500</b>
<b>Exploration and evaluation costs</b>		
Balance, beginning	104,659	59,998
Costs incurred during the year:		
Assaying	11,416	20,299
Consulting	-	20,213
Travel and accommodation	-	4,149
Balance, ending	116,075	104,659
<b>Total</b>	<b>\$ 234,575</b>	<b>\$ 163,159</b>

## Results of Operations

	Three months ended December 31, 2023	Three months ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022
<b>Expenses</b>				
Office and administration	\$ 67	\$ 15	\$ 121	\$ 107
Investor relations	468	-	468	415
Management fees	-	50,000	-	50,000
Filing and regulatory	2,494	2,362	12,439	24,071
Professional and consulting fees	8,233	6,526	33,840	38,758
Transfer agent fees	1,391	2,586	2,840	9,200
Fair value adjustment on obligation to issue shares	(9,000)	4,000	(16,500)	4,000
<b>Loss and comprehensive loss</b>	<b>\$ (3,653)</b>	<b>\$ (65,489)</b>	<b>\$ (33,208)</b>	<b>\$ (126,551)</b>

### Three Months Ended December 31, 2023 and 2022

#### Loss and Expenses

The net loss for the three months ended December 31, 2023 was \$3,653 compared to a net loss of \$65,489 for the three months ended December 31, 2022, representing a decrease in loss of \$61,836.

Material variances over the comparable period are discussed below:

- Management fees in the three months ended December 31, 2023, were \$Nil compared to \$50,000 for the quarter ended December 31, 2022. The decrease in the current quarter was due to management fees not being paid for the year ending 2023.
- Professional and consulting fees in the three months ended December 2023 were \$8,233 compared to \$6,526 for the quarter ending December 31, 2022. The increase is due to higher accounting fees incurred in the current quarter.
- Fair value adjustment on obligation to issue shares in the three months ended December 31, 2023 was a gain of \$9,000 compared to a loss of \$4,000 for the three months ended December 31, 2022.

### Years Ended December 31, 2023 and 2022

#### Loss and Expenses

The net loss for the years ended December 31, 2023 was \$33,208 compared to a net loss of \$126,551 for the year ended December 31, 2022, representing a decrease in loss of \$93,343.

Material variances over the comparable period are discussed below:

- Management fees for the year ended December 31, 2023, were \$Nil compared to \$50,000 for the year ended December 31, 2022. The decrease in the current year was due to management fees not being paid for the year ending 2023.
- Filing and regulatory fees for the year ended December 31, 2023 was \$12,439 compared to \$24,071 for the year ended December 31, 2022. The decrease was due to fees incurred in connection with the company listing on the Canadian Securities Exchange in the prior year
- Professional and consulting fees for the year ended December 31, 2023 were \$33,840 compared to \$38,758 for the year ended December 31, 2022. The decrease in current year was due to the higher fees incurred in the prior year period in connection with the company listing on the Canadian Securities Exchange.

- Transfer agent fees for the year ended December 31, 2023 was \$2,840 as compared to \$9,200 for the year ended December 31, 2022. The decrease in current year was due to fees incurred in connection with a set-up fee on the escrow agreement in the previous year.
- The Company recognized a \$16,500 gain from the fair value adjustment of obligation to issue shares pursuant to the second and third anniversary share issuance commitments of the option agreement.

### Selected Annual Information

	December 31, 2023	December 31, 2022	December 31, 2021
Loss and comprehensive loss	\$ (33,208)	\$ (126,551)	\$ (61,242)
Loss per share – basic and diluted	(0.00)	(0.02)	(0.01)
Total assets	246,336	268,258	333,902
Working capital (deficit)	(61,702)	32,922	222,634

### Selected Quarterly Information

The following selected financial data has been prepared in accordance with IFRS and all dollar amounts are in Canadian dollars.

Quarter Ended	Loss for the period	Loss per share (Basic & Diluted)	Total Assets	Interest Income
December 31, 2023	(\$3,653)	(0.00)	\$246,336	\$Nil
September 30, 2023	(\$7,893)	(0.00)	\$198,186	\$Nil
June 30, 2023	(\$15,588)	(0.00)	\$207,162	\$Nil
March 31, 2023	(\$6,074)	(0.00)	\$250,589	\$Nil
December 31, 2022	(\$65,489)	(0.02)	\$268,258	\$Nil
September 30, 2022	(\$8,629)	(0.00)	\$274,634	\$Nil
June 30, 2022	(\$21,787)	(0.00)	\$290,897	\$Nil
March 31, 2022	(\$30,646)	(0.00)	\$306,726	\$Nil

### Financial Condition, Liquidity and Capital Resources

The Company had a working capital deficit of \$61,702 as at December 31, 2023 compared to a working capital of \$32,922 as at December 31, 2022.

Subsequent to December 31, 2023, the Company received loans for an aggregate amount of \$25,000 from various lenders. The loans are unsecured, non-interest bearing and payable on demand.

The Company does not currently have an active business generating positive cash flows. The Company is reliant on equity financing or shareholder loans to provide the necessary cash to acquire or participate in an active business. There can be no assurance that equity financings will be available to the Company in the future that will be obtained on terms satisfactory to the Company.

The Company has not entered into any off-balance sheet arrangements.

## **Related Party Transactions**

### ***Balances***

As at December 31, 2023 and 2022, the Company had no amount due to the related parties.

All related party transactions are in the normal course of operations and have been measured at the agreed amount, which is the amount of consideration established and agreed to by the related parties. The Company did not have any related party transactions during the year ended December 31, 2023.

During the year ended December 31, 2022, the Company paid \$50,000 as management fees to a former director and chief executive officer of the Company.

## **Financial Instruments and Risk Management**

### ***Fair Values***

The fair values of cash and accounts payable and obligation to issue shares approximate their carrying values because of the short-term nature of these instruments.

### ***Financial Risk Management***

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

### ***Financial Instrument Risk Exposure***

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

#### ***Credit Risk***

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company is not exposed to credit risk.

#### ***Liquidity Risk***

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

#### ***Market Risk***

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. Such fluctuations may be significant.

#### ***Interest Rate Risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cashflow interest rate risk. The Company maintains a bank account with cash balance, but it does not believe it is currently subject to any significant interest rate risk. The Company has no interest-bearing debt.

#### ***Foreign Currency Risk***

The Company is not exposed to foreign currency risk on fluctuations in exchange rates.

#### ***Price Risk***

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

**Additional Share Information**

At December 31, 2023 and the date of this report, the Company had 7,160,901 issued and fully paid common shares.

At December 31, 2023 and at the date of this report, the Company had 2,500,000 warrants outstanding.

At December 31, 2023 and at the date of this report, the Company had not issued any options and no options were outstanding.

**Contingencies**

The Company is not aware of any contingencies or pending legal proceedings as of as at the date of this report.

**Management Changes**

On July 14, 2023, the Company announced the passing of one of its directors, Mr. Brent Hahn. On this date, Michelle Bikic was appointed to the board of directors to replace Brent Hahn.

**Disclaimer**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company, which can be accessed at [www.sedarplus.ca](http://www.sedarplus.ca). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

**Cautionary Statement on Forward Looking Information**

Certain statements contained in this document constitute “forward-looking statements.” Such forward-looking statements involve 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 expressly stated or implied by such forward-looking statements.