
Loyalist Exploration Limited (previously PNG Copper Inc.)

Unaudited Condensed Interim Financial Statements

September 30, 2023

Loyalist Exploration Limited (previously PNG Copper Inc.)

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Notice of Non-Review of Interim Financial Statements

The attached condensed interim financial statements for the three and nine-month period ended September 30, 2023 have been prepared by and are the responsibility of the Company's management and have been approved by the Board of Directors of the Company. The Company's independent auditor has not performed a review of these condensed interim financial statements.

Loyalist Exploration Limited (previously PNG Copper Inc.)

Unaudited Condensed Interim Balance Sheet

Expressed in Canadian Dollars

| As at, | September 30, 2023 | December 31, 2022 |
|--|-----------------------|----------------------|
| | \$ | \$ |
| Assets | | |
| Current: | | |
| Cash | 40,430 | 3,591 |
| HST receivable | 16,195 | - |
| Prepaid expenses | 9,735 | 846 |
| Total current assets | 66,360 | 4,437 |
| Total Assets | 66,360 | 4,437 |
| Liabilities | | |
| Current: | | |
| Accounts payable and accrued liabilities, <i>note 7</i> | 179,581 | 303,302 |
| Total current liabilities | 179,581 | 303,302 |
| Total Liabilities | 179,581 | 303,302 |
| Shareholders' Equity (Deficiency) | | |
| Issued capital, <i>note 5</i> | 9,654,109 | 9,615,281 |
| Equity reserves, <i>note 6</i> | 2,764,541 | 2,298,079 |
| Deficit | (12,531,871) | (12,212,225) |
| Total Shareholders' Equity (Deficiency) | (113,221) | (298,865) |
| Total Liabilities and Shareholders' Equity (Deficiency) | 66,360 | 4,437 |

Going concern, commitments and contingencies, *notes 1, 4 and 8*

See accompanying notes to the unaudited condensed interim financial statements.

Approved on behalf of the Board:

"David Drinkwater" Director

"John O'Donnell" Director

**Loyalist Exploration Limited (previously
PNG Copper Inc.)**

Unaudited Condensed Interim Statements of Changes in Equity

Expressed in Canadian Dollars

| | Shares | Issued Capital | Equity reserves | Deficit | Total Equity (Deficiency) |
|--|--------------------|-------------------|--------------------|---------------------|---------------------------------|
| | # | \$ | \$ | \$ | \$ |
| December 31, 2021 | 98,441,027 | 7,934,947 | 1,710,230 | (9,958,113) | (312,936) |
| Expiry of options | - | - | (34,180) | 34,180 | - |
| Non-brokered private placement, net of issuance costs | 6,980,000 | 320,012 | - | - | 320,012 |
| Warrants issued in private placement | - | (292,499) | 292,499 | - | - |
| Shares issued in settlement of accounts payable | 20,304,936 | 1,114,639 | - | - | 1,114,639 |
| Warrants issued in settlement of accounts payable | - | (508,104) | 508,104 | - | - |
| Shares issued for property | 14,805,405 | 732,091 | - | - | 732,091 |
| Share-based payments | - | - | 101,092 | - | 101,092 |
| Loss for the period | - | - | - | (2,042,317) | (2,042,317) |
| September 30, 2022 | 140,531,368 | 9,301,086 | 2,577,745 | (11,966,250) | (87,419) |
| Expiry of options | - | - | 22,480 | (22,480) | - |
| Warrants issued in private placement | - | 128,747 | (128,747) | - | - |
| Shares issued in settlement of accounts payable | - | (40,346) | - | - | (40,346) |
| Warrants issued in settlement of accounts payable | - | 225,794 | (225,794) | - | - |
| Share-based payments | - | - | 52,395 | - | 52,395 |
| Loss for the period | - | - | - | (223,495) | (223,495) |
| December 31, 2022 | 140,531,368 | 9,615,281 | 2,298,079 | (12,212,225) | (298,865) |
| Brokered private placement, net of issuance costs, <i>note 5</i> | 50,000,000 | 425,278 | - | - | 425,278 |
| Warrants issued in private placement, <i>note 6</i> | - | (219,751) | 219,751 | - | - |
| Warrants issued to brokers, <i>note 6</i> | - | (166,699) | 166,699 | - | - |
| Share-based payments | - | - | 80,012 | - | 80,012 |
| Loss for the period | - | - | - | (319,646) | (319,646) |
| September 30, 2023 | 190,531,368 | 9,654,109 | 2,764,541 | (12,531,871) | 113,221 |

See accompanying notes to the unaudited condensed interim financial statements.

Loyalist Exploration Limited (previously PNG Copper Inc.)

Unaudited Condensed Interim Statements of Operations and Comprehensive Loss

Expressed in Canadian Dollars

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|--------------------|--|--------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | \$ | \$ | \$ | \$ |
| Expenses: | | | | |
| Amortization | - | 7,227 | - | 21,680 |
| Consulting services | - | - | - | 4,322 |
| Exploration and evaluation expenses, <i>note 4</i> | - | 722,612 | 30,000 | 1,631,203 |
| Foreign exchange loss (gain) | - | (6,344) | - | 6,562 |
| Insurance | 4,324 | 10,355 | 7,710 | 14,291 |
| Investor relations | - | 462 | 2,483 | 1,582 |
| Management fees, <i>note 7</i> | 12,000 | - | 23,075 | - |
| Office and general | 1,115 | 1,770 | 3,714 | 3,835 |
| Professional fees, <i>note 7</i> | 7,978 | 64,124 | 86,766 | 231,807 |
| Salaries and employee benefits, <i>note 7</i> | 22,501 | - | 56,678 | - |
| Share-based payments, <i>note 7</i> | 24,121 | 43,463 | 80,012 | 101,092 |
| Transfer agent and filing fees | 8,794 | 6,811 | 29,208 | 25,943 |
| Total expenses | 80,833 | 850,480 | 319,646 | 2,042,317 |
| Net and comprehensive loss for the period | (80,833) | (850,480) | (319,646) | (2,042,317) |
| Net loss per common share: | | | | |
| - basic | (0.00) | (0.01) | (0.00) | (0.02) |
| - diluted | (0.00) | (0.01) | (0.00) | (0.02) |
| Weighted average common shares outstanding | | | | |
| - basic | 190,531,368 | 129,107,855 | 184,353,427 | 115,711,371 |
| - diluted | 190,531,368 | 129,107,855 | 184,353,427 | 115,711,371 |

See accompanying notes to the unaudited condensed interim financial statements.

Loyalist Exploration Limited (previously PNG Copper Inc.)

Unaudited Condensed Interim Statements of Cash Flows

Expressed in Canadian dollars

| For the nine months ended September | 2023 | 2022 |
|--|------------------|------------------|
| | \$ | \$ |
| Cash was provided by (used for): | | |
| Operating activities: | | |
| Net loss for the period | (319,646) | (2,042,317) |
| Items not affecting cash: | | |
| Shares issued in settlement of accounts payable | - | 1,114,639 |
| Shares issued for property acquisition | - | 732,091 |
| Amortization | - | 21,680 |
| Share-based payments | 80,012 | 101,092 |
| | (239,634) | (72,815) |
| Cash was provided by (used to finance) changes in the following working capital items: | | |
| Prepaid expenses | (8,889) | (1,562) |
| HST receivable | (16,195) | - |
| Accounts payable and accrued liabilities | (123,721) | (318,111) |
| | (148,805) | (319,673) |
| Net cash used in operating activities | (388,439) | (392,488) |
| Investing activities: | | |
| Equipment additions | - | (1,183) |
| Net cash used in investing activities | - | (1,183) |
| Financing activities: | | |
| Private placement | 500,000 | 379,000 |
| Issue costs | (74,722) | (58,988) |
| Net cash provided by financing activities | 425,278 | 320,012 |
| Change in cash | 36,839 | (73,659) |
| Cash, beginning of period | 3,591 | 87,502 |
| Cash, end of period | 40,430 | 13,843 |

See accompanying notes to the unaudited condensed interim financial statements.

Loyalist Exploration Limited (previously PNG Copper Inc.)

Notes to the Unaudited Condensed Interim Financial Statements

September 30, 2023

(expressed in Canadian dollars unless otherwise noted)

1. Nature of operations and going concern

Loyalist Exploration Limited (previously PNG Copper Inc.) (the "Company" or "PNG") was incorporated on October 4, 2017 under the Canada Business Corporations Act (the "Act") and changed its name from PNG Copper Inc. to Loyalist Exploration Limited on October 19, 2023. The principal business of the Company is the acquisition, exploration and development of mineral property interests in Canada. The Company is a reporting issuer in the Province of Ontario and is incorporated in Canada with limited liability under the legislation of Canada. The head office is located at 133 Richmond Street West, Suite 204, Toronto, Ontario M5H 2L3.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of amounts expended on exploration and evaluation activities is dependent upon a discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such properties at a profit. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, expropriation, currency exchange fluctuations and restrictions and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements, unregistered prior claims and agreements, aboriginal claims, social license requirements and non-compliance with regulatory requirements.

The Company had a net loss of \$319,646 (September 30, 2022 - \$2,042,317) for the period ended September 30, 2023, had an accumulated deficit of \$12,531,871 (December 31, 2022 - \$12,212,225) and a working capital deficiency of \$113,221 (December 31, 2022 - working capital deficiency of \$298,865) as at September 30, 2023. The Company's ability to continue as a going concern is dependent on the Company being able to satisfy its liabilities as they become due, the Company being able to obtain the necessary financing to complete the development of its mineral properties, the attainment of profitable mining operations, or the receipt of proceeds from the disposition of its mineral properties. The outcome of these matters cannot be predicted at this time. There is no assurance that funds will be available on terms acceptable to the Company or at all. Material uncertainties as mentioned above cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the carrying values and classification of assets and liabilities that would be necessary if the Company were unable to realize its assets or discharge its liabilities in anything other than the ordinary course of operations. Such adjustments could be material.

Loyalist Exploration Limited (previously PNG Copper Inc.)

Notes to the Unaudited Condensed Interim Financial Statements

September 30, 2023

(expressed in Canadian dollars unless otherwise noted)

2. Basis of presentation

(a) Statement of compliance with International Financial Reporting Standards

These unaudited condensed interim financial statements, including comparatives, have been prepared in accordance and compliance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB").

(b) Basis of preparation

These unaudited condensed interim financial statements have been prepared in accordance with IFRS as issued by the IASB on a basis consistent with those followed in the Company's most recent annual financial statement for the year ended December 31, 2022.

The unaudited condensed interim financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2022.

In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the nine month period ended September 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023.

The significant accounting policies followed in these condensed interim financial statements are consistent with those applied in the Corporation's audited annual financial statements for the year ended December 31, 2022.

Future Accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB that are mandatory for accounting periods beginning on January 1, 2023 or later. Updates that are not applicable or are not consequential to the Company have been excluded.

Loyalist Exploration Limited (previously PNG Copper Inc.)

Notes to the Unaudited Condensed Interim Financial Statements

September 30, 2023

(expressed in Canadian dollars unless otherwise noted)

3. Significant accounting policies

Use of critical estimates and judgements

The preparation of these condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future year if the revision affects both current and future year.

In preparing these condensed interim consolidated financial statements, the significant judgments and estimates made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended December 31, 2022.

4. Exploration and evaluation expenses

Transactions for the nine months ended September 30, 2023 on the Lost Molly project and for the nine months ended September 30, 2022 on the Mount Suckling project are as follows:

| | 2023 | 2022 |
|-------------------------|---------------|------------------|
| Accommodations | - | 7,708 |
| Accounting services | - | 22,099 |
| Administration | - | 12,036 |
| Assays | - | 2,933 |
| Communications | - | 16,791 |
| Community support | - | 7,534 |
| Landowners compensation | - | 285 |
| Drilling | - | 74,459 |
| Employment services | - | 23,472 |
| Field supplies | - | 48,302 |
| Geologists | - | 160,621 |
| Helicopter chartering | - | 276,455 |
| In-country logistics | - | 1,856 |
| Option payments | 30,000 | 734,538 |
| Other | - | 15,089 |
| Road maintenance | - | 1,262 |
| Site meal services | - | 14,290 |
| Storage | - | 6,045 |
| Travel and vehicle | - | 103,442 |
| Wages | - | 101,986 |
| | 30,000 | 1,631,203 |

Loyalist Exploration Limited (previously PNG Copper Inc.)

Notes to the Unaudited Condensed Interim Financial Statements

September 30, 2023

(expressed in Canadian dollars unless otherwise noted)

4. Exploration and evaluation expenses (continued)

Mount Suckling Property, Papua New Guinea

Pursuant to an option and joint venture agreement with Papuan Mineral Pty Ltd. (PMPL) and its wholly owned subsidiary Papuan Miners Ltd. (PML) dated August 28, 2018, which agreement was replaced by a definitive option agreement amongst the parties dated March 20, 2020, and subsequently amended in November 2021, the Company had an option to acquire 85% of the issued and outstanding shares of PML. PML is the legal and beneficial owner of 100% of the licences which encompass the Mount Suckling Project in Papua New Guinea.

On February 14, 2023, the Company gave notice terminating the Mount Suckling option agreement relating to the exploration properties in Papua New Guinea.

Lost Molly Property

On February 14, 2023, the Company entered into an option agreement with a private arms' length vendor to earn a one hundred per cent (100%) interest in one hundred and thirty-eight (138) mineral claims situated in the Oba area of the Province of Ontario, generally referred to as the "Lost Molly" Property (the "Claims"). During the term of the option in respect of the Lost Molly Property, the Company will have the exclusive and irrevocable right to access, explore and develop the Claims at its sole and absolute discretion.

The Lost Molly Property comprises 139 contiguous mining claims covering 2,534 hectares in Walls Township and is located 80 km south of the town of Hearst, 16 km southeast of the village of Oba.

To earn its 100% interest, the Company must make the following optional cash and share payments and incur the following Exploration Work Expenditures on any of the Claims: Cash and Share Payments

- Initial Payment - thirty thousand dollars (\$30,000)
- 1st Anniversary - a further eighty thousand dollars (\$80,000)
- 2nd Anniversary - a further one hundred and twenty thousand dollars (\$120,000)
- 3rd Anniversary - a further one hundred and sixty thousand dollars (\$160,000)

Exploration Work Expenditures

- Year 1 - fifty thousand dollars (\$50,000)
- Year 2 - a further one hundred thousand dollars (\$100,000)
- Year 3 - a further two hundred thousand dollars (\$200,000)
- Year 4 - a further four hundred thousand dollars (\$400,000)

Up to 50% of the respective cash payments may, at the option of the Company, be paid in common shares of the Company. If the Company exercises its right and option to make the respective cash payments partially in shares, the number of shares payable shall be determined for each such partial payment by dividing the amount of the partial payment by the 10-trading day average closing trading price of the Company's shares prior to the date of such payments. Such shares will be subject to required regulatory trading restrictions.

The Vendors are entitled to a three per cent (3.0%) Net Smelter Return royalty (the "NSR Royalty") on all minerals or metals extracted from the Claims two-thirds of which (a 2% NSR) may be bought back for \$2,000,000.

Loyalist Exploration Limited (previously PNG Copper Inc.)

Notes to the Unaudited Condensed Interim Financial Statements

September 30, 2023

(expressed in Canadian dollars unless otherwise noted)

5. Issued Capital

(i) Authorized

Authorized share capital consists of:

- (i) an unlimited number of voting and participating Class A shares without par value; and
- (ii) an unlimited number of non-voting and non-participating Class B shares without par value, redeemable for the amount paid for such shares. No Class B shares are outstanding.

(ii) Non-brokered private placements

On January 27, 2023, the Company completed the first tranche of its private placement financing. This tranche consisted of the sale of 18,300,000 units at a price of \$0.01 per unit for gross proceeds of \$183,000, with each unit being comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the company at a price of \$0.05 per common share until January 27, 2028.

On February 9, 2023, the Company completed the second tranche of its private placement financing. This tranche consisted of the sale of 31,700,000 units at a price of \$0.01 per unit for gross proceeds of \$317,000, with each unit being comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the company at a price of \$0.05 per common share until February 9, 2028. In connection with the closing of this financing, the Company paid a cash fee of \$47,000 and issued 3,170,000 broker warrants, with each one entitling the holder to purchase one Unit at a price of \$0.05 until February 9, 2028.

Loyalist Exploration Limited (previously PNG Copper Inc.)

Notes to the Unaudited Condensed Interim Financial Statements

September 30, 2023

(expressed in Canadian dollars unless otherwise noted)

6. Equity reserves

| | No. of options # | Weighted Average Exercise Price \$ | Grant Date Fair Value of options \$ | No. of warrants # | Weighted Average Exercise Price \$ | Grant Date Fair Value of warrants \$ | Total Value \$ |
|---|--------------------------|--|---|-------------------------|--|--|----------------------|
| December 31, 2021 | 3,255,000 | 0.18 | 266,839 | 25,875,770 | 0.17 | 1,443,391 | 1,710,230 |
| Granted/Expensed Expired | 3,800,000 (300,000) | 0.10 (0.10) | 153,487 (11,700) | 20,649,670 - | 0.07 - | 446,062 - | 599,549 (11,700) |
| December 31, 2022 | 6,755,000 | 0.12 | 408,626 | 46,525,440 | 0.13 | 1,889,453 | 2,298,079 |
| Granted/Expensed Exercised/Forfeited | 6,000,000 (3,175,000) | 0.05 (0.16) | 80,012 - | 53,170,000 - | 0.05 - | 386,450 - | 466,462 - |
| September 30, 2023 | 9,580,000 | 0.08 | 488,638 | 99,695,440 | 0.09 | 2,275,903 | 2,764,541 |

Employee share option plan

The Company has a share option plan to assist the Company in attracting, retaining and motivating directors, key officers, employees and consultants of the Company and to closely align the personal interests of such parties with those of the shareholders by providing them with the opportunity, through options, to acquire common shares of the Company.

Loyalist Exploration Limited (previously PNG Copper Inc.)

Notes to the Unaudited Condensed Interim Financial Statements

September 30, 2023

(expressed in Canadian dollars unless otherwise noted)

6. Equity reserves (continued)

The following share option arrangements were in existence as at September 30, 2023:

| Date Granted | Options Granted | Options Exercisable | Exercise Price of Exercisable Options \$ | Expiry Date |
|-------------------|--------------------|------------------------|---|-------------------|
| October 21, 2019 | 219,425 | 219,425 | 0.15 | October 21, 2023 |
| March 2, 2020 | 280,575 | 280,575 | 0.15 | March 2, 2024 |
| October 26, 2020 | 230,000 | 230,000 | 0.20 | October 26, 2024 |
| June 23, 2021 | 400,000 | 400,000 | 0.20 | June 23, 2025 |
| November 25, 2021 | 350,000 | 350,000 | 0.15 | November 25, 2025 |
| February 9, 2022 | 1,100,000 | 1,100,000 | 0.10 | February 9, 2026 |
| May 30, 2022 | 300,000 | 225,000 | 0.10 | October 30, 2024 |
| September 2, 2022 | 700,000 | 525,000 | 0.10 | September 1, 2026 |
| May 15, 2023 | 6,000,000 | 1,500,000 | 0.05 | May 15, 2028 |
| | 9,580,000 | 4,830,000 | 0.11 | |

The weighted average exercise price of options exercisable at September 30, 2023 was \$0.11 (December 31, 2022 - \$0.16).

The weighted average remaining contractual life of options outstanding at September 30, 2023 is 3.61 years (December 31, 2022 - 2.47 years).

Loyalist Exploration Limited (previously PNG Copper Inc.)

Notes to the Unaudited Condensed Interim Financial Statements

September 30, 2023

(expressed in Canadian dollars unless otherwise noted)

6. Equity reserves (continued)

The following warrant arrangements were in existence as at September 30, 2023:

| Warrants # | Exercise Price \$ | Estimated Grant Date Fair Value \$ | Expiry Date |
|-------------------|----------------------|--|-------------------|
| 7,500,000 | 0.15 | 356,381 | May 14, 2025 |
| 750,000 * | 0.15 | 85,695 | May 14, 2025 |
| 3,693,343 | 0.15 | 182,180 | July 30, 2025 |
| 363,333 * | 0.15 | 42,278 | July 30, 2025 |
| 303,335 | 0.15 | 17,945 | August 27, 2025 |
| 3,556,666 | 0.20 | 234,853 | January 4, 2026 |
| 6,000 * | 0.15 | 409 | January 4, 2026 |
| 1,666,666 | 0.20 | 95,432 | June 28, 2026 |
| 166,666 * | 0.15 | 11,105 | June 28, 2026 |
| 3,333,333 | 0.20 | 197,695 | August 12, 2026 |
| 333,333 * | 0.15 | 22,245 | August 12, 2026 |
| 2,498,333 | 0.20 | 152,921 | September 2, 2026 |
| 133,333 * | 0.15 | 8,855 | September 2, 2026 |
| 1,428,572 | 0.10 | 30,514 | December 13, 2026 |
| 142,857 * | 0.07 | 4,883 | December 13, 2026 |
| 1,500,000 * | 0.07 | 49,054 | January 24, 2027 |
| 150,000 * | 0.07 | 5,135 | January 24, 2027 |
| 1,553,020 * | 0.10 | 50,764 | March 7, 2027 |
| 5,155,365 * | 0.07 | 183,518 | May 18, 2027 |
| 3,480,000 * | 0.07 | 138,292 | June 1, 2027 |
| 348,000 * | 0.05 | 15,542 | June 1, 2027 |
| 2,000,000 * | 0.07 | 75,538 | August 16, 2027 |
| 200,000 * | 0.05 | 8,938 | August 16, 2027 |
| 6,263,285 * | 0.07 | 273,821 | August 16, 2027 |
| 18,300,000 | 0.05 | 71,688 | January 27, 2028 |
| 31,700,000 | 0.05 | 148,063 | February 8, 2028 |
| 3,170,000 * | 0.05 | 166,699 | February 8, 2028 |
| 99,695,440 | 0.13 | 2,630,443 | |

The warrants indicated by an "*" grant the holder a unit, consisting of a share and a warrant.

The weighted average remaining contractual life of warrants outstanding at September 30, 2023 is 3.67 years (December 31, 2022 - 3.63 years).

The fair value of warrants granted during the nine month ended September 30, 2023 has been estimated at the date of the grant using the Black- Scholes option pricing model with the following assumptions:

| Grant date | Expected dividend yield % | Risk-free interest rate % | Expected volatility % | Expected life | Estimated grant date fair value \$ |
|------------------|---------------------------------|---------------------------------|-----------------------------|------------------|--|
| January 27, 2023 | 0 | 1.59 | 132 | 5 | 71,688 |
| February 8, 2023 | 0 | 1.59 | 147 | 5 | 314,762 |

Loyalist Exploration Limited (previously PNG Copper Inc.)

Notes to the Unaudited Condensed Interim Financial Statements

September 30, 2023

(expressed in Canadian dollars unless otherwise noted)

7. Related party information

The following transactions were entered into with related parties during the nine month periods ended September 30, 2023 and 2022:

| | 2023 | 2022 |
|---|--------|---------|
| | \$ | \$ |
| <hr/> | | |
| With officers and directors of the Company: | | |
| Wages and management fees | 79,753 | - |
| Share-based payments | 61,861 | 78,766 |
| With a partnership in which an officer of the Company was a partner: | | |
| Accounting services | 24,225 | 84,894 |
| <hr/> | | |
| With a corporation whose directors are directors and officers of the Company: | | |
| Mount Suckling acquisition payments | - | 732,091 |

Accounts payable and accrued liabilities as at September 30, 2023 include amounts owing to directors and officers in the amount of \$1,289 (December 31, 2022 - \$28,814). These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

8. Commitments and contingencies

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company cannot reasonably predict the likelihood or outcome of these actions. The Company does not believe that adverse decisions in any other pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reason thereof, will have a material effect on the financial condition or future results of operations.

The then acting CEO of the Company has rendered invoices totaling \$136,329 to the Company in respect of services purported to have been rendered with regard to the Mount Suckling property. These invoices are under dispute and have not been accrued as at September 30, 2023.

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Loyalist Exploration Limited (previously PNG Copper Inc.)

Notes to the Unaudited Condensed Interim Financial Statements

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(expressed in Canadian dollars unless otherwise noted)

9. Capital management

The capital of the Company consists of issued capital, warrants and options. The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of its exploration and evaluation assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, seek debt financing, or acquire or dispose of assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is not subject to any externally imposed capital requirements. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no significant changes in the risks, objectives, policies and procedures in 2023.