

**Loyalist Exploration Limited**  
**(formerly PNG Copper Inc.)**  
**Management's Discussion and Analysis Form 51-102F1**  
*For the three months ended March 31, 2024*

## **Introduction**

The following Management Discussion and Analysis ("MD&A") of the financial condition and results of operations of Loyalist Exploration Limited. ("Loyalist" or the "Company") has been prepared by management as of May 30, 2024 and was reviewed and approved by the Audit Committee, and is intended to supplement and complement the condensed unaudited interim consolidated financial statements and notes thereto, prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"), for the three months ended March 31, 2024 (collectively, the "Financial Statements"). The following discussion of performance, financial condition and prospects should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2023 and the MD&A for the year ended December 31, 2023. The information provided herein supplements but does not form part of the financial statements. All amounts are stated in Canadian dollars unless otherwise indicated.

The Company's public filings can be viewed on the SEDAR website ([www.sedarplus.ca](http://www.sedarplus.ca)) and on the Company's website ([www.loyalistexp.ca](http://www.loyalistexp.ca)).

The Company's certifying officers are responsible for ensuring that the Financial Statements and MD&A 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. The Company's certifying officers certify that the Financial Statements together with the other financial information included in the filings fairly present in all material respects the financial condition, financial performance, and cash flows of the Company as of the date of and for the periods presented in the filings.

The Company's Audit Committee and the Board of Directors provide an oversight role with respect to all public financial disclosures by the Company. The Board of Directors approves the Financial Statements and MD&A after the completion of its review and recommendation for approval by the Audit Committee, which meets periodically to review all financial reports, prior to filing.

## **Description of the business**

Loyalist Exploration was incorporated on October 4, 2017, under the Canada Business Corporations Act (the "Act") as Golden Birch Resources Inc. The name was changed to PNG Copper Inc. on August 12, 2021. The name was changed to Loyalist Exploration Limited on October 19, 2023. The principal business of the Company is the acquisition, exploration, and development of mineral property interests. The Company is a public company incorporated in Canada with limited liability under the legislation of Canada. The Company's shares trade on the Canadian Securities Exchange and under the trading symbol PNGC.

The registered office of the Company is located at Suite 204, 133 Richmond Street West, Toronto, ON Canada M5H 2L3.

On February 14, 2023, the Company entered into an option agreement 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.

## **Going Concern**

The Company is in the exploration stage and is subject to the same risks and challenges as other companies in a comparable stage of development. These risks are described below. The financial statements for the three months ended March 31, 2024, have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. 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 Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves and the Company's ability to

dispose of its interests on an advantageous basis.

The Company had a working capital deficiency of \$188,988 at March 31, 2024 (deficiency of \$152,327 at December 31, 2023). For the three months ended March 31, 2024, the Company had a net loss and comprehensive loss of \$45,910 (three months ended March 31, 2023 – loss of \$134,247).

The Company's ability to continue as a going concern is dependent upon obtaining additional financing and eventually achieving profitable production in the future. The Company is currently evaluating various options to address its financing needs. There can be no assurance that the Company's financing activities will continue to be successful or sufficient.

### Exploration projects

#### Lost Molly

The Lost Molly Property is comprised of 138 contiguous mining claims covering 2,534 hectares in Walls Township, in the Province of Ontario, 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	Exploration Work Expenditures
Initial Payment - \$30,000 (paid)	Year 1 - \$50,000 Revised to \$35,000 by August 31, 2024
1 <sup>st</sup> Anniversary - \$80,000 Revised to August 1, 2024	Year 2 – \$115,000
2 <sup>nd</sup> Anniversary - \$120,000	Year 3 - \$200,000
3 <sup>rd</sup> Anniversary - \$160,000	Year 4 - \$400,000

On April 12, 2024, the Company and the vendor entered into Option Agreement Amendment “A” to change the date of the first anniversary payment of \$80,000 to the earlier of the date which is one week following the first financing after a potential consolidation or August 1, 2024. In addition, \$35,000 of the Year 1 Exploration Work Expenditures are required to be completed before August 1, 2024, and the Year 2 Exploration Work Expenditures is amended to \$115,000.

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%) 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.

### Summary of quarterly results

For the eight most recent quarters:

	<b>March 31 2024</b>	<b>December 31 2023</b>	<b>September 30 2023</b>	<b>June 30 2023</b>
	\$	\$	\$	\$
Net income (loss) for the period	(45,910)	3,538	(80,333)	(104,566)
Net loss per share (basic and diluted)	0.00	0.00	0.00	0.00
Total assets	17,248	25,682	66,360	96,006

**Loyalist Exploration Limited**  
**Management's Discussion and Analysis**

*For the three months ended March 31, 2024*

	<b>March 31</b>	<b>December 31</b>	<b>September 30</b>	<b>June 30</b>
	<b>2023</b>	<b>2022</b>	<b>2022</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net loss for the period	(134,247)	(223,496)	(850,480)	(469,220)
Net loss per share (basic and diluted)	0.00	0.00	0.00	0.00
Total assets	173,490	4,437	110,029	151,986

**Results of operations**

The Company's net income for the three months ended March 31, 2024 was \$45,910 or \$0.00 per share (net loss of \$134,247 or \$0.00 per share for the three months ended March 31, 2023). The Company paid management fees and salaries of \$30,000 in 2024 (2023 - \$57,749), professional fees of \$446 (2023 - \$nil) and share based compensation of \$9,249 (2023 - \$16,654).

**Related party transactions**

Compensation of key management and directors

Key management compensation expense includes the Chief Executive Officer, the Chief Financial Officer and directors.

For the three months ended March 31	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Salaries and management fees	<b>30,000</b>	30,550
Share-based compensation	<b>4,414</b>	11,990
	<b>34,414</b>	42,540

Accounts payable and accrued liabilities as at March 31, 2024, include amounts owing to current and former directors and officers in the amount of \$98,611 (December 31, 2023 - \$68,611). These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

A total of \$75,110 in amounts payable to a former director of the Company was written off during the year ended December 31, 2023 (December 31, 2022 - \$nil).

**Liquidity, capital resources, and outlook**

The Company is an exploration-stage company and does not generate revenues. As such, it finances all of its operations and the exploration of its mineral properties entirely through the issuance of share capital. Although the Company has to date been successful in its attempts to raise capital, there can be no assurance that its future efforts will likewise be successful. The mineral exploration business is high risk, and the vast majority of exploration projects will not result in producing mines. The success of future financings will depend on a variety of factors including geological success – i.e., obtaining superior results from exploration; a positive investment climate encompassing strong metal prices, solid stock market conditions, and a “risk-on” appetite among investors; and the Company's track record and the ability and experience of management. If such financing is unavailable, the Company may be unable to retain its mineral interests and execute its business plans.

**Off-balance sheet arrangements**

The Company had no off-balance sheet arrangements at March 31, 2024.

**Critical accounting estimates and policies**

The Company's significant accounting policies and the adoption of new accounting policies are disclosed in note 2 to the audited financial statements prepared for the years ended December 31, 2023 and 2022.

Critical accounting estimates used in the preparation of the financial statements include the Company's estimate of the value of stock-based compensation and income tax accounts. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

**Commitments and contingencies**

The Company's 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.

### **Capital management**

The capital of the Company consists of common shares, treasury shares, 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 ongoing 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 2024.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

- (i) ensuring cost-effective deployment of existing funds, generally through competitive bidding;
- (ii) avoiding project "overstretch" – i.e., too many properties and projects, and too many commitments;
- (iii) minimizing discretionary disbursements;
- (iv) reducing or eliminating exploration expenditures that are of limited value;
- (v) performing in-house some of the functions previously outsourced; and
- (vi) exploring alternative sources of liquidity.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

The Company is not presently subject to any capital requirements imposed by a regulator or lending institution body.

### **Disclosure of outstanding share data**

The following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

#### Common Shares

Authorized: Unlimited number of Class A shares.

Issued and outstanding: March 31, 2024 – 190,531,368;

Issued and outstanding: May 30, 2024 – 190,531,368.

Warrants outstanding: March 31, 2024 – 99,695,440.

Broker warrants outstanding: March 31, 2024 – 5,092,749.

Total warrants outstanding: May 30, 2024 – 104,788,189.

The warrants expire between May 2025 and February 2028 and have a weighted average exercise price of CDN \$0.09 per warrant.

Stock Options outstanding: March 31, 2024 – 9,080,000; Exercisable 7,298,075.

Stock Options outstanding: May 30, 2024 – 9,080,000; Exercisable 9,080,000.

The options expire between October 2024 and May 2028 and have a weighted average exercise price of CAD\$0.08 per share.

### **Risk factors**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it, in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR ([www.sedarplus.ca](http://www.sedarplus.ca)).

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

Please refer to the section entitled "Risk Factors" in the Company's MD&A for the fiscal year ended December 31, 2023.

### **Forward-Looking Statements**

Certain statements contained in this document constitute "forward-looking statements". All statements other than statements of historical fact contained in this MD&A, including, without limitation, those regarding the Company's future financial position and results of operations, strategy, proposed acquisitions, plans, objectives, goals and targets, and any statements preceded by, followed by or that include the words "believe", "expect", "aim", "intend", "plan", "continue", "will", "may", "would", "anticipate", "estimate", "forecast", "predict", "project", "seek", "should" or similar expressions or the negative thereof, are forward-looking statements. These statements are not historical facts but instead represent only the Company's expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied, or forecasted in such forward-looking statements.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to risks associated with: geological risks, limited operating history; inability to generate earnings or pay dividends for the foreseeable future; no current assets other than cash; uncertain ability to raise additional funds when required; reliance on a small number of key managers lacking backup; potential conflicts of interest among directors and officers of the Company; lack of liquidity for shareholders of the Company; ability to secure needed permits; ability to physically access and work the Company's property assets; availability of skilled labor; timing and amount of capital expenditures; future currency exchange and interest rates; and market risk consisting of fluctuations in the Company's share price, metal prices, credit market conditions, epidemic or pandemic situations such as the recent COVID pandemic, serious geopolitical conditions, and investor appetite for early stage exploration companies. See "Risks and Uncertainties".

Management provides forward-looking statements because they believe such statements deliver useful guidance and information to readers when considering their investment objectives. Though management believes such statements to be as accurate as possible in the context of the information available to management at the time in which they are made, management cautions readers that the guidance and information contained in such statements may rapidly be superseded by subsequent events. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments suggested by such forward-looking statement will be realized or, even if substantially realized, that they will have the expected results, or effects upon, the Company. These forward-looking statements are made as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect subsequent information, events, or circumstances or otherwise, except as required by law.

The forward-looking statements in this MD&A are based on numerous assumptions regarding the

Company's present and future business strategies and the environment in which the Company will operate in the future, including assumptions regarding business and operating strategies.

**Disclosure of internal controls**

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the audited annual financial statements do not contain any untrue statement of 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 is made, as of the date of and for the periods presented by the audited annual financial statements and (ii) the audited annual financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the years presented.

The Company is not required to certify the design and evaluation of the Company's disclosure controls and procedures ("**DC&P**") or its internal control over financial reporting ("**ICFR**"). There are inherent limitations on the ability of the certifying officers of the Company to design and implement on a cost-effective basis DC&P and ICFR for the Company, which may result in risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports required under applicable securities legislation."

**Additional disclosure for venture issuers without significant revenue**

Additional disclosure concerning the Company's: (a) capitalized or expensed exploration and development costs; (b) expensed research and development costs; (c) deferred development costs; (d) general and administrative expenses; and (e) any material costs, whether expensed or recognized as assets, not already referred to in this MD&A is provided in the Company's Condensed Interim Financial Statements for the three months ended March 31, 2024 and the Audited Financial Statements for the year ended December 31, 2023, which can be accessed on SEDAR under the Company's profile page at [www.sedarplus.ca](http://www.sedarplus.ca).