

LOYALIST EXPLORATION LIMITED

(formerly PNG Copper Inc.)

CONDENSED INTERIM FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2024 and March 31, 2023
(Expressed in Canadian Dollars)

LOYALIST EXPLORATION LIMITED

(formerly PNG Copper Inc.)

Condensed Interim Statements of Financial Position

(Expressed in Canadian dollars)

As at	March 31 2024	December 31 2023
	\$	\$
ASSETS		
Current		
Cash	843	8,190
Other receivables	13,943	12,567
Prepaid expenses	2,462	4,925
Total assets	17,248	25,682
LIABILITIES		
Current		
Trade and other payables	206,236	178,009
Total current liabilities	206,236	178,009
SHAREHOLDERS' (DEFICIENCY)		
Common shares, share-based compensation and warrants (note 5)	12,016,243	12,006,994
Deficit	(12,205,231)	(12,159,321)
Total shareholders' (deficiency)	(188,988)	(152,327)
Total liabilities and shareholders' (deficiency)	17,248	25,682

Nature of operations and going concern (note 1)

Subsequent events (note 10)

Approved on behalf of the board:

(signed) "Stephen Balch"
Director

(signed) "John O'Donnell"
Director

The accompanying notes are an integral part of these Condensed Interim Financial Statements.

Loyalist Exploration Limited

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Condensed Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Three months ended	
	March 31	
	2024	2023
	\$	\$
Expenses		
Exploration and project evaluation (note 3)	-	30,000
Management fees and salaries	30,000	57,749
Professional fees	446	-
Insurance	2,462	846
Office	1,373	13,425
Advertising and promotion	-	2,483
Share based compensation	9,249	16,654
Regulatory costs	2,380	13,090
Loss and comprehensive loss for the year	45,910	134,247
Loss per share	0.00	0.00
Basic weighted average shares outstanding	190,531,368	171,819,008

The accompanying notes are an integral part of these Condensed Interim Financial Statements.

Loyalist Exploration Limited

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Condensed Interim Statements of Cash Flows

(Expressed in Canadian dollars)

For the three months ended March 31	2024	2023
	\$	\$
Operating activities		
Net loss for the year	(45,910)	(134,247)
Items not affecting cash		
Share based compensation	9,249	16,654
Net change in non-cash working capital balances related to operating activities:		
Other receivables	(1,376)	(6,548)
Prepaid expenses	2,463	846
Trade and other payables	28,227	(138,632)
Cash provided from (used in) operating activities	(7,347)	(261,927)
Financing activities		
Issuance of common shares for cash	-	500,000
Issuance costs	-	(74,722)
Cash provided from investing activities	-	425,278
Net increase (decrease) in cash	(7,347)	163,351
Cash, beginning of the year	8,190	3,591
Cash, end of the year	843	166,942

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Condensed Interim Statements of Equity

(Expressed in Canadian dollars)

	Share Capital		Warrants	Stock options	Sub-total	Deficit	Total
	#	\$	\$	\$	\$	\$	\$
Balance, December 31, 2022	140,531,368	9,615,281	1,889,453	408,626	11,913,360	(12,212,225)	(298,865)
Private placements	50,000,000	425,278	-	-	425,278	-	425,278
Warrants issued	-	(166,699)	166,699	-	-	-	-
Warrants issued	-	(219,751)	219,751	-	-	-	-
Share based compensation	-	-	-	16,654	16,654	-	16,654
Net loss for the period	-	-	-	-	-	(134,247)	(134,247)
Balance, March 31, 2023	190,531,368	9,654,109	2,275,903	425,280	12,355,292	(12,346,472)	8,820
Reversal of warrants issued	-	190,943	(190,943)	-	-	-	-
Share based compensation	-	-	-	20,214	20,214	-	20,214
Expiry of stock options	-	-	-	(368,512)	(368,512)	368,512	-
Net loss for the period	-	-	-	-	-	(181,361)	(181,361)
Balance, December 31, 2023	190,531,368	9,845,052	2,084,960	76,982	12,006,994	(12,159,321)	(152,327)
Share based compensation	-	-	-	9,249	9,249	-	9,249
Net loss for the year	-	-	-	-	-	(45,910)	(45,910)
Balance, March 31, 2024	190,531,368	9,845,052	2,084,960	86,231	12,1016,243	(12,205,231)	(188,988)

The accompanying notes are an integral part of these Condensed Interim Financial Statements

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Notes to the Condensed Interim Financial Statements

March 31, 2024

(Expressed in Canadian dollars)

1. Nature of operations, basis of presentation and going concern uncertainty

Loyalist Exploration Limited (the "Company" or "Loyalist") 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 and then 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 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, ON 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 property interests 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 \$45,910 for the three months ended March 31, 2024 (March 31, 2023 - \$134,247) and had an accumulated deficit of \$12,205,231 (December 31, 2023 - \$12,159,321) and working capital deficiency of \$188,988 as at March 31, 2024 (December 31, 2023 - \$152,327). 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, and, 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.

2. Significant accounting policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of May 30, 2024, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed

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March 31, 2024

(Expressed in Canadian dollars)

interim consolidated financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2023, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2024, could result in restatement of these unaudited condensed interim consolidated financial statements.

3. Exploration and evaluation expenses

Transactions for the three months ended March 31, 2024 and 2023, are as follows:

	2024 \$	2023 \$
Lost Molly		
Property acquisition	-	30,000
	-	30,000
Total	-	30,000

Lost Molly Property

On February 13, 2023, the Company entered into an option agreement to earn a one hundred per cent (100%) interest in certain 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.

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 - \$30,000 (paid in February 2023);

1st Anniversary - \$80,000;

2nd Anniversary - \$120,000; and

3rd Anniversary - \$160,000.

Exploration Work Expenditures

Year 1 - \$50,000;

Year 2 - \$100,000;

Year 3 - \$200,000; and

Year 4 - \$400,000.

On April 12, 2024, the Company and the vendor entered into an amending agreement 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 Vendor is 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.

5. Shareholders' equity

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Authorized share capital consists of:

an unlimited number of voting and participating Class A shares without par value; and
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.

Share capital

Share capital comprises the following:

	Number of shares	Amount \$
Balance, December 31, 2022	140,531,368	9,615,281
Private Placements, net of issuance costs	50,000,000	425,278
Share issuance costs	-	(25,556)
Warrants issued	-	(169,951)
Balance, December 31, 2023 and March 31, 2024	190,531,368	9,845,052

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.

Stock options

As at March 31, 2024, 9,080,000 common shares were reserved for the exercise of common stock options ("options") granted to directors, officers, employees and service providers in connection with the Company's stock option plan (the "Plan").

The following summary sets out the activity in the Plan:

	Options #	Weighted average exercise price \$
Outstanding, December 31, 2022	6,755,000	0.12
Granted	6,000,000	0.05
Expired/Forfeited	(3,394,425)	(0.16)
Outstanding, December 31, 2023	9,360,575	0.08
Expired	(280,575)	0.15
Outstanding, March 31, 2024	9,080,000	0.08

The following share option arrangements were in existence as at March 31, 2024:

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(Expressed in Canadian dollars)

Date granted	Options Granted	Options Exercisable	Exercise Price \$	Expiry Date
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 10, 2022	1,100,000	1,100,000	0.10	February 9, 2026
May 30, 2022	300,000	300,000	0.10	October 30, 2024
September 2, 2022	700,000	637,500	0.10	September 1, 2026
May 15, 2023	6,000,000	4,000,000	0.05	May 15, 2028
	9,080,000	7,110,500		

The weighted average exercise price of options exercisable at March 31, 2024 was \$0.08 (December 31, 2023 - \$0.08).

The fair value of share options granted 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 \$	Share price \$
May 15, 2023	0	1.66	159	5 years	70,734	0.05

Warrants

Certain issuances of common shares include warrants entitling the holder to acquire additional common shares of the Company. A summary of the warrant activity is as follows:

	Warrants #	Weighted average exercise price \$
Balance, December 31, 2022	46,525,440	0.13
Issued	53,170,000	0.05
Balance, December 31, 2023 and March 31, 2024	99,695,440	0.09

	Expiry date	Number	Exercise Price \$
Warrants	May 14, 2025	7,500,000	0.15
Warrants – Broker units*	May 14, 2025	750,000	0.15
Warrants	July 30, 2025	3,693,343	0.15
Warrants – Broker units*	July 30, 2025	363,333	0.15
Warrants	August 27, 2025	303,335	0.15
Warrants	January 4, 2026	3,556,666	0.20
Warrants – Broker units*	January 4, 2026	6,000	0.15
Warrants	June 28, 2026	1,666,666	0.20
Warrants – Broker units*	June 28, 2026	166,666	0.15
Warrants	August 12, 2026	3,333,333	0.20
Warrants – Broker units*	August 12, 2026	333,333	0.15
Warrants	September 2, 2026	2,498,333	0.20
Warrants – Broker units*	September 2, 2026	133,333	0.15
Warrants	December 13, 2026	1,428,572	0.10
Warrants – Broker units*	December 13, 2026	142,857	0.07

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(Expressed in Canadian dollars)

Warrants	January 24, 2027	1,500,000	0.10
Warrants – Broker units*	January 24, 2027	150,000	0.07
Warrants	March 7, 2027	1,553,020	0.10
Warrants	May 18, 2027	5,155,365	0.07
Warrants	June 1, 2027	3,480,000	0.07
Warrants – Broker units*	June 1, 2027	348,000	0.05
Warrants	August 16, 2027	2,000,000	0.07
Warrants – Broker units*	August 16, 2027	200,000	0.05
Warrants	August 16, 2027	6,263,285	0.07
Warrants	January 27, 2028	18,300,000	0.05
Warrants	February 8, 2028	31,700,000	0.05
Warrants – Broker units*	February 8, 2028	3,170,000	0.05
		99,695,440	
Warrants – Broker warrants *	May 14, 2025	72,560	0.10
Warrants – Broker warrants *	July 30, 2025	160,000	0.10
Warrants – Broker warrants *	January 4, 2026	6,000	0.15
Warrants – Broker warrants *	June 28, 2026	166,666	0.15
Warrants – Broker warrants *	August 12, 2026	333,333	0.15
Warrants – Broker warrants *	September 2, 2026	133,333	0.15
Warrants – Broker warrants *	December 13, 2026	142,857	0.07
Warrants – Broker warrants *	January 24, 2027	150,000	0.07
Warrants – Broker warrants *	June 1, 2027	348,000	0.05
Warrants – Broker warrants *	September 23, 2027	210,000	0.10
Warrants – Broker warrants *	August 16, 2027	200,000	0.05
Warrants – Broker warrants *	February 8, 2028	3,170,000	0.05
		5,092,749	

* Upon exercise of the broker unit, an additional warrant will be issued for each unit exercised

The weighted average remaining contractual life of warrants outstanding at March 31, 2024 is 3.18 years (December 31, 2023 – 3.43 years).

The fair value of warrants granted during the year ended December 31, 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 %	Expected volatility %	Expected life
January 27, 2023 and February 8, 2023	0	1.59	147	5

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6. 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	2024	2023
	\$	\$
Salaries and management fees	30,000	30,550
Share-based compensation	4,414	11,990
	34,414	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).

7. Commitments and contingencies

The Company has discontinued mining operations in various jurisdictions. An estimate of the total liability, if any, for which the Company might become obligated as a result of its role as operator, guarantor, or indemnifier is not determinable, nor expected to be material, and no amount has been provided in these financial statements.

The Company is party to employment agreements with its employees. These contracts contain clauses requiring additional payments to be made upon the occurrence of certain events such as change of control. The additional commitments total approximately \$67,500. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

8. Capital management

The mineral properties of the Company are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise such funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the issuance of share and debt instruments. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if and when needed.

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 were no changes in the Company's approach to capital management during the years.

9. Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures from the previous period.

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Notes to the Condensed Interim Financial Statements

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(Expressed in Canadian dollars)

Credit Risk

The Company's credit risk is primarily attributable to cash and term deposits. The Company has no significant concentration of credit risk arising from operations. Cash and term deposits, when available, have been invested with reputable financial institutions, from which management believes the risk of loss to be remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2023, the Company had a cash balance of \$843 (December 31, 2023 - \$8,190) to settle current liabilities of \$206,236 (December 31, 2023 - \$178,009). The Company's accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company is sensitive to changes in the interest rates through interest income earned on its cash balance.

Price risk

Price risk with respect to commodity prices is remote since the Company is not a producing entity.

Fair value of financial instruments

IFRS require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

As at March 31, 2024 and December 31, 2023, the carrying and fair value amounts of the Company's financial instruments are approximately the same because of the short-term nature of these instruments.

10. Subsequent events

On April 12, 2024, the Company and the vendor of the Lost Molly property entered into an amending agreement 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 of the shares of the Company 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.