

**Prisma Exploration Inc.  
(formerly Prisma Capital Inc.)**

**Management's Discussion and Analysis**

**For the Years Ended December 31, 2021 and 2020**

**General**

This management discussion and analysis should be read in conjunction with the audited financial statements and related notes thereto of Prisma Exploration Inc. (formerly Prisma Capital Inc.) (the "Company") for the years ended December 31, 2021 and 2020 (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 March 18, 2022 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.sedar.com](http://www.sedar.com).

**Description of Business**

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

**Highlights – Year Ended December 31, 2021**

During the year ended December 31, 2021, the Company completed a non-brokered private placement by issuing 2,500,000 units of the Company at a price of \$0.10 per unit for gross cash proceeds of \$250,000. Each unit consists of one common share and one common share purchase warrant of the Company. Each warrant shall entitle the holder to purchase one common share at a price of \$0.15 per common share for a period of five years from the date of the issuance.

**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 in Q1 2022)	10,000	(paid)	-	
2nd anniversary	100,000		15,000		50,000	
3rd anniversary	200,000		30,000		-	
4th anniversary	200,000		50,000		50,000	
5th anniversary	200,000		100,000		-	
<b>Total</b>	<b>900,000</b>		<b>\$ 212,500</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 ended December 31, 2021, the Company made a cash payment of \$10,000 as per the agreement. Pursuant to the option agreement, the Company acknowledged its obligation to issue 100,000 shares on the 1st anniversary and fulfilled the obligation subsequent to the year ended December 31, 2021. The fair market value of the 100,000 common shares was \$10,000 and the amount has been included in property acquisition costs.

During the year ended December 31, 2021, the Company incurred a downward adjustment to the exploration and evaluation asset due to adjustment to cost.

The following is a description of the Company’s exploration and evaluation asset and the related expenditures incurred for the years ended December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
<b>Property acquisition costs</b>		
Balance, beginning	\$ 10,000	\$ -
Additions	20,000	10,000
<b>Balance, ending</b>	<b>\$ 30,000</b>	<b>\$ 10,000</b>
<b>Exploration and evaluation costs</b>		
Balance, beginning	\$ 62,760	\$ -
Costs incurred during the period:		
Assaying	(212)	4,440
Consulting	(887)	18,533
Maintenance	(290)	6,046
Geological	(1,265)	31,465
Travel and accommodation	(108)	2,276
Balance, ending	59,998	62,760
<b>Total</b>	<b>\$ 89,998</b>	<b>\$ 72,760</b>

## Results of Operations

	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
<b>Expenses</b>				
Office and administration	\$ 18	\$ 176	\$ 74	\$ 496
Filing and regulatory	15,411	-	23,067	5,643
Professional and consulting fees	12,574	1,747	37,944	1,747
Transfer agent fees	-	-	157	-
<b>Loss and comprehensive loss</b>	<b>\$ 28,003</b>	<b>\$ 1,923</b>	<b>\$ 61,242</b>	<b>\$ 7,886</b>

### Three Months Ended December 31, 2021 and 2020

#### Loss and Expenses

The net loss for the three months ended December 31, 2021 was \$28,003 compared to a net loss of \$1,923 for the three months ended December 31, 2020, representing an increase in loss of \$26,080.

Material variances over the comparable period are discussed below:

- Filing and regulatory fees for the three months ended December 31, 2021 was \$15,411 compared to \$Nil for the three months ended December 31, 2020. The increase in the current period was due to fees incurred in connection to the non-offering preliminary prospectus. There was no such event in the comparative period last year.
- Professional and consulting fees for the three months ended December 31, 2021 was \$12,574 compared to \$1,747 for the three months ended December 31, 2020. The increase was related to additional due diligence services required in connection to the non-offering preliminary prospectus.

### Years Ended December 31, 2021 and 2020

#### Loss and Expenses

The net loss for the year ended December 31, 2021 was \$61,242 compared to a net loss of \$7,886 for the year ended December 31, 2020, representing an increase in loss of \$53,356.

Material variance over the comparable period is discussed below:

- Filing and regulatory fees for the year ended December 31, 2021 was \$23,067 compared to \$5,643 for the year ended December 31, 2020. The increase in the current period was due to fees incurred in connection to the non-offering preliminary prospectus. There was no such event in the comparative period last year.
- Professional and consulting fees for the year ended December 31, 2021 was \$37,944 compared to \$1,747 for the year ended December 31, 2020. The increase was related to additional due diligence services required in connection to the non-offering preliminary prospectus.

## Selected Annual Information

	December 31, 2021	December 31, 2020	December 31, 2019
Loss and comprehensive loss	\$ (61,242)	\$ (7,886)	\$ (35)
Loss per share – basic and diluted	(0.01)	(0.01)	(0.00)
Total assets	333,902	128,874	13,515
Working capital	222,634	51,114	13,515

### 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
31-Dec-21	\$28,003	0.00	\$333,902	\$Nil
30-Sep-21	\$7,840	0.00	\$353,030	\$Nil
30-Jun-21	\$12,818	0.00	\$359,852	\$Nil
31-Mar-21	\$12,581	0.00	\$116,250	\$Nil
31-Dec-20	\$1,923	0.00	\$128,874	\$Nil
30-Sep-20	\$18	0.00	\$34,590	\$Nil
30-Jun-20	\$511	0.00	\$35,058	\$Nil
31-Mar-20	\$5,434	0.01	\$35,076	\$Nil

### Financial Condition, Liquidity and Capital Resources

The Company had a working capital of \$222,364 as at December 31, 2021 compared to a working capital of \$51,114 as at December 31, 2020. 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.

On June 4, 2021, the Company closed a non-brokered private placement by issuing 2,500,000 units for gross and net proceeds of \$250,000. Each unit consists of one common share and one common share purchase warrant.

Subsequent to December 31, 2021, the Company issued 100,000 common shares at a fair market value of \$0.10 per share pursuant to the McGillivray property option agreement.

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

### Related Party Transactions

#### *Balances*

As at December 31, 2021 and 2020, the Company had no amount due to the related parties.

The Company did not have any related party transactions during the years ended December 31, 2021 and 2020.

### Financial Instruments and Risk Management

#### *Fair Values*

The fair values of cash and accounts payable and accrued liabilities 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.

#### *COVID-19*

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID- 19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

#### **Additional Share Information**

At December 31, 2021, the Company had 6,960,901 issued and fully paid common shares. At the date of this report, the Company had 7,060,901 issued and fully paid common shares.

At December 31, 2021 and at the date of this report, the Company had 2,500,000 warrants outstanding.

At December 31, 2021 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.

**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.sedar.com](http://www.sedar.com). 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.