

# Prisma Exploration Inc.

## Management's Discussion and Analysis

### For the Six Months Ended June 30, 2023

#### General

This management discussion and analysis should be read in conjunction with the unaudited condensed interim financial statements and related notes thereto of Prisma Exploration Inc. (the "Company") for the six months ended June 30, 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 condensed interim financial statements and this discussion and analysis are presented in Canadian dollars, unless otherwise indicated. This Management Discussion and Analysis ("MD&A") is dated August 24, 2023 and discloses specified information up to that date.

Management is responsible for the preparation and integrity of the condensed interim 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 condensed interim 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 "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	(met)
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, pursuant to the 1st anniversary obligation laid out in the option agreement, the Company made a cash payment of \$10,000 as per the agreement and recognized an obligation to issue 100,000 shares of the Company at a fair value of \$10,000. The company fulfilled the obligation on February 9, 2022.

During the year ended December 31, 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.

The following is a description of the Company’s exploration and evaluation asset and the related expenditures incurred for the six months ended June 30, 2023 and year ended December 31, 2022:

	June 30, 2023	December 31, 2022
<b>Property acquisition costs</b>		
Balance, beginning	\$ 58,500	\$ 30,000
Additions	-	28,500
<b>Balance, ending</b>	<b>58,500</b>	<b>58,500</b>
<b>Exploration and evaluation costs</b>		
Balance, beginning	104,659	59,998
Costs incurred during the period:		
Assaying	11,417	20,299
Consulting	-	20,213
Travel and accommodation	-	4,149
Balance, ending	116,076	104,659
<b>Total</b>	<b>\$ 174,575</b>	<b>\$ 163,159</b>

## Results of Operations

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
<b>Expenses</b>				
Office and administration	\$ 18	\$ 18	\$ 36	\$ 36
Filing and regulatory	4,966	6,742	7,373	19,346
Professional and consulting fees	10,111	15,027	20,703	26,678
Transfer agent fees	493	-	1,050	6,373
Fair value adjustment on obligation to issue shares	-	-	(7,500)	-
<b>Loss and comprehensive loss</b>	<b>\$ (15,588)</b>	<b>\$ (21,787)</b>	<b>\$ (21,662)</b>	<b>\$ (52,433)</b>

### Three Months Ended June 30, 2023 and 2022

#### Loss and Expenses

The net loss for the three months ended June 30, 2023 was \$15,588 compared to a net loss of \$21,787 for the three months ended June 30, 2022, representing a decrease in loss of \$6,199.

Material variances over the comparable period are discussed below:

- Filing and regulatory fees for the three months ended June 30, 2023 was \$4,966 compared to \$6,742 for the three months ended June 30, 2022. The decrease in the current year quarter was due to fees incurred in connection listing in the previous year on The Canadian Securities Exchange.
- Professional and consulting fees for the three months ended June 30, 2023 were \$10,111 compared to \$15,027 for the three months ended June 30, 2022. The decrease was due to the higher fees incurred in relation to prior year quarter belated tax return filings from 2018 to 2021.

### Six Months Ended June 30, 2023 and 2022

#### Loss and Expenses

The net loss for the six months ended June 30, 2023 was \$21,662 compared to a net loss of \$52,433 for the six months ended June 30, 2022, representing a decrease in loss of \$30,771.

Material variances over the comparable period are discussed below:

- Filing and regulatory fees for the six months ended June 30, 2023 was \$7,373 compared to \$19,346 for the six months ended June 30, 2022. The decrease in the current year quarter was due to fees incurred in connection listing in the previous year on The Canadian Securities Exchange.
- Professional and consulting fees for the six months ended June 30, 2023 were \$20,703 compared to \$26,678 for the six months ended June 30, 2022. The decrease in current year was due to the higher fees incurred in the prior year period in relation to belated tax return filings from 2018 to 2021.
- Transfer agent fees for the six months ended June 30, 2023 was \$1,050 as compared to \$6,373 for the six months ended June 30, 2022. The decrease in current year was due to fees incurred in connection with name change and a set-up fee on the escrow agreement in the previous year.
- The Company recognized a \$7,500 gain from the fair value adjustment of share obligation pursuant of the option agreement. The share obligation had a fair value of \$17,500 at December 31, 2022 versus fair value of \$10,000 at the date of share issuance on April 4, 2023.

## 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
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	0.01	\$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
December 31, 2021	\$28,003	0.00	\$333,902	\$Nil
September 30, 2021	\$7,840	0.00	\$353,030	\$Nil

## Financial Condition, Liquidity and Capital Resources

The Company had a working capital of \$9,844 as at June 30, 2023 compared to a working capital of \$32,922 as at December 31, 2022. 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 June 30, 2023 and December 31, 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 six months ended June 30, 2023 and 2022.

## 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.

### **Additional Share Information**

At June 30, 2023 and the date of this report, the Company had 7,160,901 issued and fully paid common shares.

At June 30, 2023 and at the date of this report, the Company had 2,500,000 warrants outstanding.

At June 30, 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<sup>th</sup>, 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.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.