

# Prisma Exploration Inc.

## Management's Discussion and Analysis

### For the Six Months Ended June 30, 2024

#### 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, 2024 and 2023 (the "Financial Statements"), and the audited financial statements and notes thereto for the years ended December 31, 2023 and 2022, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board. All amounts in the unaudited 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 28, 2024 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 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.sedarplus.ca](http://www.sedarplus.ca).

#### 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.

#### 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	(Not met)	30,000	(Not met)	-	
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 2023, pursuant to the 3rd anniversary obligation laid out in the option agreement, the Company accrued \$30,000 for the cash portion and recognized an obligation to issue 200,000 shares of the Company at a fair value of \$30,000.

Subsequent to June 30, 2024, the optionor terminated the option agreement and the Company cancelled the outstanding obligation to pay cash of \$30,000 and issue 200,000 shares. The Company recorded a full impairment of the McGillivray property and recorded the impairment loss of \$174,575 in the condensed interim statement of loss and comprehensive loss for the period ended June 30, 2024.

The following is a description of the fully impaired exploration and evaluation asset for the period ended June 30, 2024 and year ended December 31, 2023.

	June 30, 2024	December 31, 2023
<b>Property acquisition costs</b>		
Balance, beginning	\$ 118,500	\$ 58,500
Additions	-	60,000
Adjustments	(60,000)	-
<b>Balance, ending</b>	<b>58,500</b>	<b>118,500</b>
<b>Exploration and evaluation costs</b>		
Balance, beginning	116,075	104,659
Costs incurred during the period:		
Assaying	-	11,416
<b>Balance, ending</b>	<b>116,075</b>	<b>116,075</b>
Impairment	(174,575)	
<b>Total</b>	<b>\$ -</b>	<b>\$ 234,575</b>

## Results of Operations

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
<b>Expenses</b>				
Office and administration	\$ 19	\$ 18	\$ 225	\$ 36
Filing and regulatory	4,383	4,966	7,184	7,373
Professional and consulting fees	8,037	10,111	19,482	20,703
Transfer agent fees	-	493	1,014	1,050
Impairment of exploration and evaluation assets	174,575	-	174,575	-
Fair value adjustment on obligation to issue shares	(10,000)	-	9,000	(7,500)
<b>Loss and comprehensive loss</b>	<b>\$ (177,014)</b>	<b>\$ (15,588)</b>	<b>\$ (211,480)</b>	<b>\$ (21,662)</b>

### Three Months Ended June 30, 2024 and 2023

#### Loss and Expenses

The net loss for the three months ended June 30, 2024, was \$177,014 compared to a net loss of \$15,588 for the three months ended June 30, 2023, representing an increase in loss of \$161,426.

Material variances over the comparable period are discussed below:

- Professional and consulting fees for the three months ended June 30, 2024 were \$8,037 compared to \$10,111 for the three months ended June 30, 2023. The decrease was due to reduced legal services in the current period.
- An impairment loss of the exploration and evaluation assets in the amount of \$ 174,575 was recorded in the three months ended June 30, 2024 due to termination of the option agreement by the optionor.
- Fair value adjustment gain of \$10,000 resulting from the Company cancelling the obligation to issue shares in evaluation and exploration assets.

### Six Months Ended June 30, 2024 and 2023

#### Loss and Expenses

The net loss for the six months ended June 30, 2024, was \$211,480 compared to a net loss of \$21,662 for the six months ended June 30, 2023, representing an increase in loss of \$189,818.

Material variances over the comparable period are discussed below:

- Professional and consulting fees for the six months ended June 30, 2024 were \$19,482 compared to \$20,703 for the six months ended June 30, 2023. The decrease is due to reduced legal services in the current period.
- An impairment of the exploration and evaluation assets in the amount of \$ 174,575 was recorded in the six months ended June 30, 2024 due to the termination of the option agreement by the optionor.
- Fair value adjustment on obligation to issue shares in the six months ended June 30, 2024 was a loss of \$9,000 compared to a gain of \$7,500 for the six months ended June 30, 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, 2024	(\$177,014)	(0.02)	\$2,347	\$Nil
March 31, 2024	(\$34,466)	(0.00)	\$257,738	\$Nil
December 31, 2023	(\$3,653)	(0.00)	\$246,336	\$Nil
September 30, 2023	(\$7,893)	(0.00)	\$198,186	\$Nil
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)	(0.02)	\$268,258	\$Nil
September 30, 2022	(\$8,629)	(0.00)	\$274,634	\$Nil

## **Financial Condition, Liquidity and Capital Resources**

The Company had a working capital deficit of \$38,607 as at June 30, 2024 compared to a working capital of \$61,702 as at December 31, 2023.

As of the date of this MD&A, the Company received loans from a related party for an aggregate amount of \$10,000 and received loans from third parties for an aggregate amount of \$40,000. The loans are unsecured, non-interest bearing and payable on demand.

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 financing 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, 2024 the Company recorded an amount due to the related party of \$5,000, (December 31, 2023-Nil) This amount is unsecured, non-interest bearing and payable on demand.

As of the date of this MD&A, the amount owing by the Company to the related party was \$10,000.

## **Financial Instruments and Risk Management**

### ***Fair Values***

The fair values of cash and accounts payable and accrued liabilities and loans payable 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, 2024 and the date of this report, the Company had 7,160,901 issued and fully paid common shares.

At June 30, 2024 and at the date of this report, the Company had 2,500,000 warrants outstanding.

At June 30, 2024 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.sedarplus.ca](http://www.sedarplus.ca). 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.