



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended
October 31, 2021 and 2020

PRIME MINING CORP.

Management's Discussion and Analysis

For the three and six months ended October 31, 2021 and 2020

(In Canadian dollars, except where noted)

The following is management's discussion and analysis ("MD&A") of Prime Mining Corp. together with its wholly owned subsidiaries (the "Company" or "Prime"), is prepared as of December 9, 2021, and relates to the financial condition and results of operations for the three and six months ended October 31, 2021 and 2020. Past performance may not be indicative of future performance. This MD&A should be read in conjunction with the condensed interim consolidated financial statements ("interim financial statements") and related notes for the three and six months ended October 31, 2021, which have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting using accounting consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). As such, the interim financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended April 30, 2021 and 2020 ("annual financial statements").

The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The three months ended October 31, 2021 and 2020, are also referred to as "Q2 2022" and "Q2 2021", respectively. The six months ended October 31, 2021 and 2020, are also referred to as "YTD 2022" and "YTD 2021", respectively. The years ended April 30, 2021 and 2020, are also referred to as "fiscal 2021" and "fiscal 2020", respectively. All amounts are presented in Canadian dollars, the Company's presentation currency, unless otherwise stated. References to "US\$" and "MXN" are to United States dollars and Mexican pesos, respectively.

Certain information contained in this MD&A may constitute forward-looking statements. Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. Refer to the "Risks and Uncertainties" and "Cautionary Note Regarding Forward-Looking Statements" sections of this document.

OVERVIEW OF THE BUSINESS

The Company was incorporated on May 14, 1981 in British Columbia. Prime is a reporting issuer in British Columbia and Alberta, and a Tier 2 issuer on the TSX Venture Exchange ("TSX-V"). The Company's head office and principal place of business is located at Suite 710 - 1030 West Georgia Street, Vancouver, BC, V6E 2Y3. The Company has wholly owned subsidiaries in Suriname, Mexico and Barbados although only the Mexican subsidiaries are active. The Company is focused on advancing gold exploration properties in Mexico with the potential to be brought to near-term production.

The Company's common shares are traded on the TSX-V under the symbol "PRYM", on the Frankfurt Stock Exchange under the symbol "O4V3" and on the OTCQB market under the symbol "PRMNF".

As Prime works to advance the Los Reyes Gold and Silver Project ("Los Reyes" or the "Los Reyes Project"), the Company's focus is on three areas:

- 1) health and safety of our team and the communities we work in;
- 2) use of resources to create maximum value at Los Reyes; and
- 3) corporate responsibility and governance.

During Q2 2022, the Company has seen progress in all three areas with continued emphasis on operating under appropriate covid-19 guidelines, strengthened exploration team performance and advances in our corporate administration.

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Los Reyes Gold and Silver Project

Located 43 kilometres south-east of the mining centre of Cosala, Sinaloa, Los Reyes has a mining history that stretches back into the 1700s and has seen small-scale mining activity as recently as the 1980s. In the 1990s, Northern Crown Mines Ltd. explored the property, drilling 381 reverse circulation holes and commissioned a resource estimate and prefeasibility study on the Zapote deposit. Los Reyes was returned to the original concession holders in the early 2000s. Vista Gold Corp. ("Vista Gold") reassembled the land package and drilled 48 core holes in several of the deposits. Vista Gold also completed metallurgical test work and had a resource estimate calculated and a preliminary economic assessment made. Great Panther Silver Ltd optioned the property in 2014, through the acquisition of CanGold Ltd., and drilled 41 core holes in 2015. Minera Alamos Inc. ("MAI") optioned the property from Vista Gold in 2017. Prime acquired the option from MAI in 2019 and began a surface exploration program of trenching and roadcut channel sampling. Prime subsequently exercised the option with Vista Gold in 2020.

The Company believes that the Los Reyes Project is an overlooked, underexplored, low-sulphidation epithermal gold-silver project located in a prolific mining region of Mexico. Previous operators completed various prefeasibility studies yet held back from development due to then-prevailing declining gold prices. The Company further believes that work that has been completed has provided sufficient understanding of existing resources to allow Los Reyes to be fast-tracked to production. However, Los Reyes holds gold and silver exploration optionality. It is a large epithermal system with the bulk of historic exploration conducted over less than 40% of the known structures leaving significant opportunity to expand known resources.

COVID-19

The Company is at the exploration stage and while individuals working for the Company may contract covid-19, the business operation is unlikely to be materially affected in the short term. The Company does not rely on specific materials, laboratories or suppliers. It is quite possible however, that exploration activities could be delayed by covid-19 and travel restrictions could limit the ability of non-Mexico-based managers to be on-site in Mexico. However, management does not believe that such delays will have a material bearing on progress on the Company's exploration program.

The Company will need to raise funds to continue exploration and, if warranted, development of its properties. As a result of covid-19's adverse effect on financial markets, this could manifest itself in the Company having difficulty in financing longer-term activities. At this date, it is not possible to determine what affect, if any, covid-19 will have on the ability of the Company to finance its development.

HIGHLIGHTS AND KEY DEVELOPMENTS**Los Reyes Project****Summer 2021 Exploration Program**

As summer 2021 started, the Phase 1 drilling campaign had completed with 15,061 metres ("m") drilled in 74 holes. Following this achievement and with the start of the Sinaloa rainy season, five of the drill rigs were demobilized during the first month of summer. Two drills remain active on the property as an expansion to the Phase 1 campaign testing areas that are relatively easier to access. Core logging, core splitting and sampling have been moved to Cosalá from El Saucito to reduce crew transportation time. Regional and detailed mapping continues, and results will be integrated into geologic modeling over the next several months. Soil sampling has been put on hold due to terrain conditions in the rainy season. As the summer 2021 finished, the Company had completed 97 drill holes for 20,153 m.

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Early in the summer, the Company released drill results from the first holes drilled into the major new discovery, Mina, located 1.3 kilometres ("km") northeast of the Guadalupe East deposit, currently the most eastern of the eight-known gold-silver deposits at Los Reyes. Drill hole 21MINA-02 returned 4.44 grams per tonne ("gpt") gold ("Au") and 1,060.1 gpt silver ("Ag") over 7.5 m (4.8 m estimate true width ("etw")) from 142.5 m downhole, including 3.15 m (2.0 m etw) at 6.62 gpt Au and 1,397.8 gpt Ag and 1.85 m (1.2 m etw) at 6.3 gpt Au and 1,881.0 gpt Ag. 21MINA-05 returned 3,243 gpt Ag over 1.15 m (0.74 m etw) with no associated gold from 81.7 m downhole. A slightly lower zone in 21MINA-05 returned 1.45 gpt Au and 29.3 gpt Ag over 3.7 m (1.85 m etw) from 91.0 m downhole. 21MINA-06 returned 1.72 gpt Au and 29.6 gpt Ag over 3.85 m (3.20 m etw) from 23.7 m downhole.

At Noche Buena, drill holes continued to confirm the expansion of mineralization both down-dip and along strike beyond the current inferred category resource boundary. Additionally, the drilling adds silver assay data to the resource in areas where it was not recorded by prior operators. Drill hole 21NB-05, the most easterly hole, returned 0.77 gpt Au and 48.3 gpt Ag over 4.5 m (2.9 m etw) starting at 117.5 m downhole including 2.67 gpt Au and 140.2 gpt Ag over 0.6 m (0.4 m etw). 21NB-05's intersection indicates that Noche Buena is still open beyond the eastern limit of the current pit-constrained resource. 21NB-06, drilled near the current resource pit bottom, returned 1.29 gpt Au and 60.7 gpt Ag over 36.1 m (28.9 m etw) starting at 93.1 m downhole, including 5.74 gpt Au and 108.1 gpt Ag over 4.5 m (3.6 m etw). 21NB-07 returned 0.65 gpt Au and 20.7 gpt Ag over 11.6 m (10.4 etw) starting at 24.0 m downhole including 1.21 and 38.9 gpt Ag over 4.5 m (4.1 etw). 21NB-08 returned 1.23 gpt Au and 28.0 gpt Ag over 11.1 m (8.9 m etw) at 32.4 m downhole including 1.1 m (0.9 m etw) at 6.08 gpt Au and 90.9 gpt Ag. 21NB-09 returned 2.89 gpt Au and 61.6 gpt Ag over 10.5 m (8.4 m etw) at 70.5 m downhole including 1.5 m (1.2 m etw) at 18.00 gpt Au and 209.3 gpt Ag. Hole 21NB-10 returned 0.70 gpt Au and 27.9 gpt Ag over 19.5 m (15.6 m etw) at 63.0 m downhole including 1.5 m (0.9 m etw) at 3.73 gpt Au and 109.5 gpt Ag. 21NB-11 returned 1.00 gpt Au and 18.0 gpt Ag over 5.8 m (5.2 etw) starting at 76.5 m downhole.

Holes 21NB-06, 21NB-07, 21NB-09 and 21NB-11 all intersected mineralization at or just below the pit bottom.

At San Miguel East, drill holes continued to confirm the expansion of mineralization. Drill hole 21SME-03 returned 2.50 gpt Au and 117.9 gpt Ag over 8.3 m (7.5 m etw) at 139.5 m downhole including 4.57 gpt Au and 139.8 gpt Ag over 3.8 m (3.4 m etw) and 1.63 gpt Au and 193.2 gpt Ag over 1.5 m (1.3 m etw) at 244.5 m downhole. Additionally, drill hole 21SME-07 returned 1.02 gpt Au and 51.4 gpt Ag over 15.0 m at 7.5 m downhole including 4.11 gpt Au and 13.1 gpt Ag over 3.0 m and 1.22 gpt Au and 137.8 gpt Ag over 7.9 m at 42.0 m downhole including 2.48 gpt Au and 280.3 gpt Ag over 3.1 m, the etw was equal to the actual core length. The Phase 1 drilling program is now complete with the mineralized structure being intersected in all seven drill holes.

At San Miguel East, the Fresnillo Structure, was intersected for the first time and within the current pit boundary. The nearly 1-kilometer structure had no prior drilling. Drill hole 21SME-02 returned 0.82 gpt Au and 7.5 gpt Ag over 6.8 m (5.6 m etw) from surface in newly defined mineralized vein breccia. The structure is within the current and expanding open-pit boundary and should reduce the stripping ratio and waste rock.

Initial drilling commenced at Las Primas including three shallow holes to acquire an initial subsurface understanding of the outcropping breccia and quartz vein structures. No drilling has occurred at Las Primas by previous operators, in part due to a lack of road and constrained access. Drill hole 21LP-01 returned 1.55 gpt Au and 3.4 gpt Ag over 1.0 m (0.7 m etw) at 31.7 m downhole. Additionally, drill hole 21LP-02 returned 1.58 gpt Au and 13.6 gpt Ag over 7.5 m (3.8 m etw) at 24.0 m downhole including 15.9 gpt Au and 134.5 gpt Ag over 0.4 m (0.2 m etw) and including 7.02 gpt Au and 50.2 gpt Ag over 0.7 m (0.4 m etw) and 0.83 gpt Au and 26.4 gpt Ag over 3.0 m (1.1 m etw) at 107.3 m downhole.

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At Guadalupe East, the Company reported results from thirteen drill holes, twelve of these holes (21GE-09 to 20) intercepted the high-grade Estaca epithermal vein and the remaining hole, 21GE-08, collected structural data on the San Nicolas vein. Eight of the twelve Estaca holes were successful in intersecting high-grade gold-silver mineralization. This Phase 1 drilling extends 100 metres below the base of the April 2020 Pit-Constrained Resource giving an approximate 250 to 300 drill-indicated metre vertical extent of the mineralized boiling zone that remains open vertically up dip. Historical metallurgical test work was completed by prior operators of high-grade mineralized material at Los Reyes. The material tested is in line with the gold-silver grades encountered during Phase 1 drilling and results indicate that gold recovery increased to 93% from 75% and silver recovery increased to 83% from 25% using mill processing instead of heap leaching. Two of the twelve Estaca holes were terminated in old workings.

Drilling occurred in areas proximal to, but outside of the Pit-Constrained Resource. The holes were targeted to expand the currently defined Pit-Constrained Resource and to determine the potential vertical extent of the gold-silver bearing mineralization within the Estaca Vein at depth below the Pit-Constrained Resource.

Drill holes 21GE-11, 13, 18 and 19 were drilled just outside the Pit-Constrained Resource limits and demonstrate strong potential for near-pit resource expansion given intersected widths of between 7.2 m and 43.9 m. Results include 1.63 gpt Au and 220.2 gpt Ag over 10.3 m (7.3 m etw) in hole 21GE-11; 4.77 gpt Au and 174.5 gpt Ag over 7.2 m (7.2 m etw) in hole 21GE-13; 15.58 gpt Au and 270.2 gpt Ag over 11.7 m (9.4 m etw) in hole 21GE-18; and 2.66 gpt Au and 118.4 gpt Ag over 43.9 m (30.7 m etw) in hole 21GE-19.

Drill holes 21GE-10 and 14 are within 100 m below the bottom of the Pit-Constrained Resource and have intersected grades that potentially expand the open pit at depth. Hole 21GE-10 returned 0.94 gpt Au and 92.0 gpt Ag over 10.85 m (5.4 m etw) and hole 21GE-14 returned 3.19 gpt Au and 376.7 gpt Ag over 12.9 m (5.2 m etw).

Drill holes 21GE-15 and 21GE-20 were drilled more than 300 m east of the boundary of the Pit-Constrained Resource and 100 m east of the nearest drill intersection. These two holes encountered historic underground development and natural faulting that resulted in poor core recoveries. Nevertheless, they intersected significant high-grade mineralization that demonstrates major resource expansion potential to the southeast. Hole 21GE-15 returned 7.31 gpt Au and 615.0 gpt Ag over 7.0 m (6.6 m etw) before being abandoned in historic workings. Hole 21GE-20 returned 35.37 gpt Au and 1,626.0 gpt Ag over 6.0 m (6.0m etw), including 62.60 gpt Au and 2,574.0 gpt Ag over 3.0 m (3.0 m etw).

Drill Hole 21GE-08 was targeting the west extension of the San Nicolas Vein and designed to collect information on structure with oriented core. The hole intersected 5.3m (4.4m etw) grading 0.44 gpt Au and 9.9 gpt Ag starting at 58.4 m downhole. The San Nicolas vein lies directly within the footwall of the Estaca Vein, and outcrops in the shallowest portions of the southeast boundary of the Pit-Constrained Resource.

Comprehensive planning was underway for the Phase 2 drill campaign which it is to commence in November, after the current rainy season. Phase 2 will utilize a combination of 6 to 8 core and reverse circulation drill rigs. Reverse circulation rigs will be used, where infrastructure permits, to accelerate the rate of in-fill drilling and resource definition. Permitting activities continue for construction of Phase 2 roads and drill pads.

Refer to the following news releases, published on SEDAR, for additional technical data:

- *"Prime Mining Intercepts 4.44 gpt Gold and 1,060.1 gpt Silver over 7.5 Metres at New Discovery 1.3 Kilometres from Guadalupe East; Phase 2 Drilling Underway"* dated June 28, 2021.
- *"Prime Mining Intercepts 36.1 Metres With 1.29 gpt Au and 60.7 gpt Ag at Noche Buena Deposit as New Drilling Continues Expansion"* dated July 12, 2021.
- *"Prime Mining Discovers Gold-Silver Zones in San Miguel East Pit-Constrained Resource and Near-Surface Mineralization at Las Primas"* dated August 4, 2021.
- *"Additional High-Grade Results Expand Open-Pit Potential at Guadalupe East"* dated September 8, 2021.

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Fall 2021 Exploration Program

As fall 2021 started, the Phase 1 extended drilling campaign had completed 97 drill holes for 20,153 m. Rig count increased from two core drills at the end of the summer 2021 rainy season to five core drills at October 31, 2021.

Along the western mineralized structure, now referred to as the Z-T Structure (Zapote - Tahonitas), the Company reported results from 18 drill holes with seven holes within and adjacent to the Zapote South deposit and 11 drill holes within or adjacent to the Tahonitas deposit. All 18 drill holes intercepted potentially economic mineralization with eight holes returning significant high-grade results. Zapote South and Tahonitas are two of eight known gold-silver deposits. The major northwest-southeast trending Z-T structure remains open and highly prospective at depth and along strike to the southeast. Importantly, none of the current drilling at Tahonitas is to a sufficient depth to have tested the deeper high-grade gold zone found in Zapote South that was intersected as reported May 15, 2021 in drill hole 21ZAP-15, 4.49 gpt Au and 67.9 gpt Ag over 8.3 m (7.4 m etw), and in the newly reported drill hole 21ZAP-21.

Phase 1 drilling at Zapote extended the potential boiling zone height which hosts the highest-grade mineralization, from 530 metres above sea level ("masl") by 50 m to 480 masl. This "deepening" of the bottom elevation of the boiling zone elevation provides exploration prospects at Zapote and across the entire Z-T structure to that depth. Follow-up to this is a part of Phase 2.

High grade mineralization was intercepted in 'below-pit' drill holes. 21ZAP-21 returned 3.36 gpt gold and 83.2 gpt silver over 16.0 m (13.1 m etw), 21ZAP-19 returned 0.75 g/t Au and 13.7 g/t Ag over 20.5 m (19.3 m etw), and 21ZAP-20 returned 3.89 gpt gold and 13.4 gpt Ag over 2.0 m (1.4 m etw). All three drill hole intercepts are below the current resource pit bottom providing significant opportunity to expand resources at depth.

21ZAP-21 shows that on the most southeasterly section drilled to-date at Zapote South there is high-grade mineralization with a dip extent of at least 125 m including 50 m below the current pit bottom. Zapote South remains open to the south-east towards Tahonitas, presenting a Phase 2 exploration opportunity.

Shallow drilling at Tahonitas during Phase 1 produced positive results encountering near surface mineralization with the initial drilling. However, drilling to-date has not yet targeted the Z-T structure at the same depth where high-grade mineralization is encountered at Zapote South. Deeper drilling at Tahonitas is a key Phase 2 exploration opportunity.

The Company's Phase 1 exploration program completed over 25,650 m of core drilling, exceeding the planned 15,000 m program, resulting in several new discoveries including bonanza grade mineralization below previous drilling, extending resources down-dip and along strike, and recovering silver values previously not analyzed for within several deposits. Phase 1 also included:

- the acquisition of 1,056 line km of high resolution aeromagnetic-radiometric data;
- extensive regional and detailed geological mapping;
- initiation of an alteration mineral study; and
- identification of alteration styles and multiple pulses of mineralization, all of which will help vector the exploration program to a focus on higher mill-grade gold-silver mineralization within reach of open pits.

The Phase 2 drill program commenced November 1, 2021. As of November 25, 2021, the Company had drilled 3,944.4 m in 13 core drill holes in the Phase 2 drill program and six core drills are in operation. Refer to the *Outlook* section below for details pertaining to the Phase 2 drill program.

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Refer to the following news releases, published on SEDAR, for additional technical data:

- *"Deeper Phase 1 Drilling Confirms Strike and Depth Potential of the Zapote-Tahonitas Mineralized Structure"* dated October 12, 2021.
- *"Prime Announces Commencement of Phase 2 Drilling at Los Reyes"* dated November 17, 2021.

Expenditures

Project expenditures during the three and six months ended October 31, 2021, and 2020, are summarized as follows:

| | Three months ended October 31, | | Six months ended October 31, | |
|--|-----------------------------------|------------|---------------------------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Salaries and personnel | \$ 821,340 | \$ 254,205 | \$ 1,180,047 | \$ 411,181 |
| Drilling | 1,070,212 | - | 2,590,319 | - |
| Resource estimation and technical services | 247,740 | 260,581 | 650,341 | 374,745 |
| Equipment and field supplies | 130,792 | 78,946 | 337,966 | 120,391 |
| Land payments and maintenance | - | 33,631 | 69,862 | 17,378 |
| General and administrative | 84,919 | 44,347 | 270,508 | 78,192 |
| Value added tax | 191,449 | 220,580 | 664,555 | 220,580 |
| | \$ 2,546,452 | \$ 892,290 | \$ 5,763,598 | \$ 1,222,467 |

Review of project expenditures for Q2 2022 compared to Q2 2021

Salaries and personnel increased to \$821,340 compared to \$254,205 during Q2 2021. Additional employees and contractors were engaged to advance the Los Reyes Project. Moreover, bonuses were awarded relating to the completion of the Phase 1 exploration program.

Drilling increased to \$1,070,212 compared to \$nil during Q2 2021. During December 2020, the drilling program commenced.

Resource and estimation and technical services decreased to \$247,740 compared to \$260,581. Fewer consulting service providers were used during YTD 2022 as the Company hired employees to support the project.

Equipment and field supplies increased to \$130,792 compared to \$78,946 during Q2 2021. The increase is due to increased employees and activities at the Los Reyes Project.

Review of project expenditures for YTD 2022 compared to YTD 2021

Salaries and personnel increased to \$1,180,047 compared to \$411,181 during YTD 2021. Additional employees and contractors were engaged to advance the Los Reyes Project. Moreover, bonuses were awarded relating to the completion of the Phase 1 exploration program.

Drilling increased to \$2,590,319 compared to \$nil during YTD 2021. During December 2020, the drilling program commenced.

Resource and estimation and technical services increased to \$650,341 compared to \$374,745. Following the commencement of the drill program more technical advisory and laboratory expenditures were incurred.

Equipment and field supplies increased to \$337,966 compared to \$120,391 during YTD 2021. The increase is due to increased employees and activities at the Los Reyes Project.

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Project expenditures since acquisition, are summarized as follows:

| | Total |
|--|----------------------|
| Salaries and personnel | \$ 2,700,830 |
| Drilling | 4,044,926 |
| Resource estimation and technical services | 2,078,794 |
| Equipment and field supplies | 866,450 |
| Land payments and maintenance | 453,162 |
| General and administrative | 495,279 |
| Value added tax | 1,265,711 |
| | \$ 11,905,152 |

Resource estimate

In August 2019, Prime initiated a major surface mapping, outcrop trenching, and chip sampling program over eight known gold-silver deposits at Los Reyes. On April 2, 2020, Prime announced an updated pit constrained mineral resource estimate ("Updated Resource"), prepared by Stantec Consulting Ltd. ("Stantec") for the Los Reyes Project. The new pit constrained resource (at 0.22 g/t Au cut-off) comprised 19.8 million tonnes measured and indicated resources (633,000 ounces contained gold and 16.6 million ounces contained silver) and an additional 7.1 million tonnes (179,000 ounces contained gold and 7.8 million ounces contained silver) of inferred material. The updated resource estimate increased the total oxide material and upgraded the material to higher estimation categories.

Additionally, Stantec provided sensitivities to cut-off grade within the pit allowing for a comparison to the historic global resource estimate by Vista in 2012, which was calculated at a 0.5 g/t Au cut-off. Comparing estimates at the same cut-off, measured and indicated resources increased by 74% from 6.8 mt to 11.8 mt and inferred material increased 25% from 3.2 mt to 4.0 mt. Measured and indicated contained gold increased by 44% from 380,655 ounces to 546,000 ounces, while inferred gold decreased by 8%, from 156,000 ounces to 144,000 ounces. Measured and indicated silver increased by 100% from 6,315,000 ounces to 12,912,000 ounces and inferred silver increased by 50% from 3,640,000 to 5,456,000 ounces.

Refer to "Stantec, Technical Report, Los Reyes Property, Sinaloa, Mexico, report date April 2, 2020" published on SEDAR.

Corporate**Directors**

During September 2021, the Company appointed Ms. Edie Hofmeister to the board of directors.

Management

During September 2021, the Company appointed Mr. Scott Smith as Executive Vice President - Exploration, replacing Mr. Kerry Sparkes. Mr. Sparkes will reduce his workload and continue as a key advisor to the Company.

Stock Option Grants

During September 2021,

- stock options were granted to purchase up to 1,610,000 common shares at a price of \$4.18 per share. The stock options granted have a five-year life and vest one-third at date of grant, one-third six months from the grant date and one-third 12 months from the grant date.
- stock options were granted to purchase up to 600,000 common shares at a price of \$4.18 per share. The stock options granted have a five-year life and vest one-third six months after the date of grant, one-third 12 months from the grant date and one-third 18 months from the grant date.

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Warrants

During August 2021, the Company reported that 19,040,256 common share purchase warrants, with an exercise price of C\$0.50 issued on August 28, 2019, were now fully exercised.

Change in year-end

During November 2021, the Company provided notice that it would change its year-end from April 30 to December 31. The Company will have a transition year of eight months, from May 1, 2021 to December 31, 2021. The new financial year shall commence on January 1, 2022 and end on December 31, 2022.

OUTLOOK

The Phase 2 drill program commenced November 1, 2021 with a planned minimum 50,000 m in over 250 drill holes. Phase 2 will utilize a combination of up to eight core drills and up to three reverse circulation drills. Reverse circulation rigs will be used, where infrastructure permits, to accelerate the rate of in-fill drilling and resource definition. Permitting activities continue for construction of Phase 2 roads and drill pads.

Phase 2 – Principal Objectives

1. Expanding resources along the three main corridors of known open-pit mineralization, following up on previously reported high-grade areas in Phase 1:
 - Guadalupe Structure – drilling will target new areas of bonanza-grade mineralization, including significant step-out drill holes to the southeast;
 - Z-T Structure – will be drilled to connect deposits and to expand higher-grade areas to depth; and,
 - Central Zone Structure – including San Miguel West, San Miguel East and Noche Buena, will test the individual deposits to expand them to collectively form larger pits as well as to assess the depth potential in this under-explored area.
2. Complete first pass testing of newly developed targets:
 - Last year's technical program led to the development of several high potential targets within an approximate 5 km radius of the main mineralized corridors at Los Reyes;
 - Drill testing will include high priority targets Mina 20/21, Mariposa, Las Primas, Fresnillo, El Tule and others on the two parallel El Orito trends: and,
3. Resume surface mapping and sampling:
 - Phase 1 prospecting, mapping, and sampling that led to the development of new targets will continue in Phase 2.

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QUARTERLY RESULTS

During fiscal 2021, on a retrospective basis, the Company adopted a new accounting policy for exploration and evaluation expenditures. In prior years, the Company capitalized exploration and evaluation expenditures when the Company had the legal right to explore a property. The Company has changed this accounting policy to expense exploration and evaluation expenditure until such time that an appropriate economic assessment has been completed and there is confidence that permits can be obtained to develop the project. The Company will continue to capitalize all acquisition costs and related costs when incurred. Refer to note 3 and 5 of the annual financial statements. This MD&A has been restated under this retrospective accounting policy change. Refer to the *Restatement Reconciliations* section below.

Quarterly results

| | Q2 2022 | Q1 2022 | Q4 2021 | Q3 2021 Restated |
|------------------------------------|----------------|----------------|----------------|---------------------|
| Loss for the period | \$ (5,600,423) | \$ (4,046,624) | \$ (3,324,739) | \$ (2,157,865) |
| Loss per share – basic and diluted | (0.05) | (0.04) | (0.04) | (0.03) |
| Total assets | 43,961,419 | 43,961,262 | 44,791,540 | 14,043,787 |
| Total non-current liabilities | 923,861 | 930,746 | 918,618 | 956,522 |
| Cash balance | 29,848,024 | 29,945,079 | 32,026,806 | 5,840,853 |
| Working capital | \$ 29,581,634 | \$ 29,582,724 | \$ 31,369,510 | \$ 5,598,102 |

| | Q2 2021 Restated | Q1 2021 Restated | Q4 2020 Restated | Q3 2020 Restated |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Loss for the period | \$ (2,548,756) | \$ (2,668,638) | \$ (6,852,493) | \$ (1,286,672) |
| Loss per share – basic and diluted | (0.03) | (0.04) | (0.12) | (0.02) |
| Total assets | 20,367,568 | 20,941,400 | 9,191,946 | 15,398,141 |
| Total non-current liabilities | 1,012,702 | 1,049,880 | 64,304 | 87,067 |
| Cash balance | 7,678,959 | 8,032,658 | 1,020,820 | 1,518,003 |
| Working capital | \$ 7,368,744 | \$ 7,891,266 | \$ (426,873) | \$ 444,950 |

Review of Consolidated Financial Information for Q2 2022 compared to Q2 2021

Loss for the Company was \$5,600,423 (\$0.05 per share) compared to \$2,548,756 (\$0.03 per share) during Q2 2021, as a result of the following factors:

Corporate and administrative expense

Corporate and administrative expenses increased to \$2,983,951 compared to \$1,741,286 during Q2 2021. The significant cash components of these expenses include salaries and personnel, consulting and professional fees and investor relations.

Salaries and personnel decreased to \$252,533 compared to \$349,953 during Q2 2021, as a result of reduced management consulting fees.

Consulting and professional fees include legal, accounting, capital and strategic advisors. The Q2 2022 and Q2 2021 expenses are consistent, with a decrease of \$31,080, as there has not been any substantial change in the services provided to the Company.

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The significant non-cash component of these expenses includes share-based compensation, which was \$2,499,230 compared to \$1,085,539 during Q2 2021. The increase is a result of granting 2,910,000 share options at a weighted average grant-date fair value of \$2.63 compared to 4,700,000 share options at a grant-date fair value of \$0.79 during YTD 2021.

Exploration and evaluation

Exploration and evaluation expense was \$2,546,452 compared to \$892,290 during Q2 2021. The Company increased exploration activities at the Los Reyes Project. Refer to the *Highlights and Key Developments* section above.

Depreciation

Depreciation expense represents depreciation of equipment and the right-of-use asset associated with the Company's office lease. Depreciation expense was \$44,809 compared to \$29,992 during Q2 2021. The increase is a result of additions to property and equipment of \$262,332 during YTD 2022 which were depreciated during the period.

Foreign exchange

Foreign exchange represents changes in the value of monetary assets and liabilities denominated in foreign currencies. During Q2 2022, the foreign exchange loss was the result of an appreciating Canadian dollar and increased US dollar holdings.

Review of Consolidated Financial Information for YTD 2022 compared to YTD 2021

Loss for the Company was \$9,647,047 (\$0.09 per share) compared to \$5,217,394 (\$0.07 per share) during YTD 2021, as a result of the following factors:

Corporate and administrative expense

Corporate and administrative expenses increased to \$4,001,762 compared to \$3,986,788 during YTD 2021. The significant cash components of these expenses include salaries and personnel, consulting and professional fees and investor relations.

Salaries and personnel decreased to \$531,574 compared to \$812,183 during YTD 2021, as a result of reduced signing bonuses.

Consulting and professional fees include legal, accounting, capital and strategic advisors. The YTD 2022 and YTD 2021 expenses are consistent, with a decrease of \$48,695, as there has not been any substantial change in the services provided to the Company.

Investor relations expenses includes news releases, communications programs, and participation at conferences. The expense decreased to \$52,214 compared to \$249,591 during YTD 2021. During YTD 2021, activities increased significantly following the rebranding of the Company and the acquisition of an option to acquire the Los Reyes Project.

The significant non-cash component of these expenses includes share-based compensation, which was \$3,091,279 compared to \$2,444,500 during YTD 2021. Refer to the Q2 2022 compared to Q2 2021 discussion above.

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Significant Quarterly Variations

- Q3 2020 - The Company undertook an additional investor communication program that resulted in a more significant loss.
- Q4 2020 - The Company recognized an impairment provision of \$5,441,325 and share-based compensation of \$285,000. Additionally, exploration and evaluation expenses of \$542,981 were incurred at the Los Reyes Project.
- Q1 2021 - The Company awarded stock options and recognized share-based compensation of \$1,358,961.
- Q2 2021 - The Company increased the senior management team and awarded stock options recognizing share-based compensation of \$1,085,539. Additionally, exploration and evaluation expenses of \$892,290 were incurred at the Los Reyes Project.
- Q3 2021 - The Company incurred additional share-based compensation expense of \$737,900 related to the vesting of options. Additionally, exploration and evaluation expenses of \$1,104,323 were incurred at the Los Reyes Project
- Q4 2021 - The Company incurred additional share-based compensation expense of \$371,278 related to the vesting of options. Additionally, exploration and evaluation expenses of \$2,646,500 were incurred at the Los Reyes Project
- Q1 2022 - The Company incurred exploration and evaluation expenditures of \$3,217,146 at the Los Reyes Project.
- Q2 2022 - The Company incurred additional share-based compensation expense of \$2,499,230 related to the granting and vesting of options. Additionally, exploration and evaluation expenses of \$2,546,452 were incurred at the Los Reyes Project

Cash flows

| | For the six months ended October 31, | |
|---------------------------------------|---|---------------------|
| | 2021 | 2020 |
| | | Restated |
| Cash used in operating activities | \$ (6,664,259) | \$ (2,359,030) |
| Cash provided by financing activities | 5,945,645 | 11,065,029 |
| Cash used in investing activities | (1,460,168) | (2,047,860) |
| (Decrease) increase in cash | (2,178,782) | 6,658,139 |
| Cash, beginning of period | 32,026,806 | 1,020,820 |
| Cash, end of period | \$ 29,848,024 | \$ 7,678,959 |

Operating activities

During YTD 2022, salaries and personnel expenditures of \$531,574 were incurred by the Company which is a significant portion of the operating expenditures. There was office rent and administrative expenditures of \$177,097. Legal and accounting expenditures of \$149,598 were also incurred. Additional expenditures of \$5,763,598 were incurred relating to Los Reyes Project.

During YTD 2021, salaries and personnel expenditures of \$812,183 were incurred by the Company which is a significant portion of the operating expenditures. There were investor relations expenditures of \$249,591. Additional expenditures of \$1,222,467 were incurred relating to Los Reyes Project.

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Financing activities

During YTD 2022, the Company had the following significant financing activities:

- Issued 11,166,622 common shares for gross proceeds of \$6,003,311 upon exercise of warrants.
- Issued 265,000 common shares for gross proceeds of \$151,000 upon exercise of options.

During YTD 2021, the Company completed a private placement resulting in net proceeds of \$9,431,470. Additionally, loan repayments were \$1,164,678 during Q1 2021.

Investing activities

During YTD 2022, the second and final option payment to Vista Gold of US\$1,000,000 was made by the Company. Additionally, the Company acquired more vehicles to support the Los Reyes project.

During YTD 2021, the Company completed the acquisition of the Los Reyes Project. As part of this transaction, the Company set up a long-term receivable for value added sales taxes that are recoverable from the Mexican government and a corresponding liability to refund part of those taxes to the vendor of the Los Reyes property. Additionally, as part of the Los Reyes Project transaction, the Company issued 330,000 common shares valued at \$465,000 which is recorded as a component of shareholders' equity.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities and other contractual obligations.

The Company is a mineral exploration company and currently has no operating income or positive operating cash flows. The Company depends upon share issuances and property option agreements to fund its exploration activities and administrative expenses.

Factors that may affect the Company's liquidity are continuously monitored. These factors include the market price of gold, operating costs, exploration expenditures, the timing of VAT recoveries, foreign currency fluctuations, health and safety risks related to the covid-19, and risks and uncertainties (refer to *Risks and Uncertainties* section).

The Company will need to raise additional funds to fully develop its mineral properties. There can be no assurance that the Company will succeed in obtaining additional financing, now or in the future. Consequently, the Company is subject to liquidity risk.

At October 31, 2021, the Company had working capital of \$29,581,634 including cash of \$29,848,024, compared to a working capital of \$31,369,510 at April 30, 2021. Accounts payable and accruals decreased to \$449,449 compared to \$833,744, at April 30, 2021, due to decreased activities at the Los Reyes Project. The long-term payable of \$922,394 requires payment when the value added tax receivable of \$1,024,883 is refunded.

At October 31, 2021, the Company has the following capital resource commitments:

- The Company must undertake exploration and make cash progress payments to maintain its exploration property rights.
- The Company is committed to make payments under property and equipment leases totalling \$24,921 through 2023.
- The Company signed a new premises lease which will commence during November 2021. The premises lease commits the Company to make payments of \$253,218 over a five-year term.
- The Company signed a drilling contract with a remaining commitment of US\$308,000 to the contractor and drill program.

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RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors, officers, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

Key management compensation includes:

| | Six months ended October 31, | |
|----------------------------------|------------------------------|--------------|
| | 2021 | 2020 |
| Salaries, personnel and benefits | \$ 581,715 | \$ 785,491 |
| Directors fees | 97,500 | 77,651 |
| Share-based compensation | 1,794,490 | 2,130,167 |
| | \$ 2,473,705 | \$ 2,993,309 |

Trade payables and accruals include \$16,250 (April 30, 2021 - \$16,250) owed to directors and officers of the Company in connection to accrued salaries and benefits.

During the six months ended October 31, 2021, the Company repaid the loan balance, interest and commitment fee owed to Andrew Bowering, a director and officer of the Company of \$1,164,678.

OUTSTANDING SHARE DATA

At December 9, 2021, the Company had the following equity securities outstanding:

| | Authorized | Outstanding |
|---|---|---|
| Equity securities – voting | Unlimited common shares | 112,573,205 common shares |
| Stock options - convertible to voting common shares | Stock options to acquire up to 10% of the outstanding common shares | Stock options to acquire 10,210,000 common shares |
| Warrants convertible to voting common shares | | Warrants to acquire 24,523,125 common shares |

SIGNIFICANT ACCOUNTING POLICIES

The condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), effective as of October 31, 2021. The Company's significant accounting policies are described in note 3 of the Company's annual financial statements.

CHANGES IN ACCOUNTING POLICIES

The accounting policies applied in the preparation of the Company's condensed interim consolidated financial statements for the three and six months ended October 31, 2021 and 2020, are consistent with those applied and disclosed in the Company's annual financial statements.

During fiscal 2021, the Company voluntarily change is accounting policy regarding exploration and evaluation expenditures. Refer to note 3 and 5 of the annual financial statements.

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RESTATEMENT RECONCILIATIONS**Loss for the period**

| Period | As previously reported | Effect of change in accounting policy | As restated under new accounting policy |
|---------------|-------------------------------|--|--|
| Q3 2020 | \$ (851,653) | \$ (435,019) | \$ (1,286,672) |
| Q4 2020 | (6,656,665) | (195,828) | (6,852,493) |
| Q1 2021 | (2,338,461) | (330,177) | (2,668,638) |
| Q2 2021 | (1,656,466) | (892,290) | (2,548,756) |
| Q3 2021 | \$ (1,053,542) | \$ (1,104,323) | \$ (2,157,865) |

Loss per share

| Period | As previously reported | Effect of change in accounting policy | As restated under new accounting policy |
|---------------|-------------------------------|--|--|
| Q3 2020 | \$ (0.01) | \$ (0.01) | \$ (0.02) |
| Q4 2020 | (0.11) | (0.01) | (0.12) |
| Q1 2021 | (0.03) | (0.01) | (0.04) |
| Q2 2021 | (0.02) | (0.01) | (0.03) |
| Q3 2021 | \$ (0.01) | \$ (0.02) | \$ (0.03) |

Total assets

| Period | As previously reported | Effect of change in accounting policy | As restated under new accounting policy |
|---------------|-------------------------------|--|--|
| Q3 2020 | \$ 16,370,577 | \$ (972,436) | \$ 15,398,141 |
| Q4 2020 | 10,360,210 | (1,168,264) | 9,191,946 |
| Q1 2021 | 21,271,577 | (330,177) | 20,941,400 |
| Q2 2021 | 21,590,035 | (1,222,467) | 20,367,568 |
| Q3 2021 | \$ 16,370,577 | \$ (2,326,790) | \$ 14,043,787 |

YTD 2021 Cash flows

| | As previously reported | Effect of change in accounting policy | As restated under new accounting policy |
|-----------------------------------|-------------------------------|--|--|
| Cash used in operating activities | \$ (1,243,082) | \$ (1,115,948) | \$ (2,359,030) |
| Cash used in investing activities | \$ (3,163,808) | \$ 1,115,948 | \$ (2,047,860) |

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FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of cash, receivables, deposits, VAT receivables, trade payables and accruals, advances from related party, loan payable and lease liability. The carrying value of all the Company's financial instruments approximates their fair value except for cash. The fair value of cash is measured using Level 1 inputs. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

The Company's activities expose it to a variety of financial risks, of which the primary ones are liquidity risk and foreign exchange risk. The Company does not have a practice of trading derivatives.

The Company manages liquidity risk by attempting to maintain adequate cash balances. If necessary, the Company may raise funds through the issuance of debt, equity or sale of non-core assets. The Company ensures that there is sufficient capital to meet its obligations by continuously monitoring and reviewing actual and forecasted cash flows and matching the maturity profile of financial assets to development, capital and operating needs.

The Company is exposed to foreign exchange fluctuations, primarily on value added tax receivable balances denominated in Mexican pesos and the long-term payable balance denominated in US dollars.

The Company's financial risks are described in note 12 of the interim financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has does not have any off-balance sheet arrangements.

PROPOSED TRANSACTIONS

At October 31, 2021, and the date hereof, the Company had no proposed transaction.

RISKS AND UNCERTAINTIES

For a detailed listing of the risk factors faced by the Company, please refer to the Company's MD&A and Annual Information Form for the year ended April 30, 2021.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results could differ materially from any estimates, forecasts, predictions, projections, assumptions, or other future performance suggested herein.

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Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “budget”, “plan”, “continue”, “estimate”, “expect”, “forecast”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar words suggesting future outcomes or statements regarding an outlook. These statements do not take into account the effect of transactions or other items announced or occurring after the statements are made. Forward-looking statements are based upon a number of expectations and assumptions and are subject to certain risks and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from those that are disclosed in or implied by such statements.

These forward-looking statements may include but are not limited to statements concerning:

- The Company's success at completing future financings;
- The Company's strategies and objectives;
- The completion of further exploration and development activity at the Los Reyes Project;
- General business and economic conditions;
- General political climate; and
- The Company's ability to meet its financial obligations as they become due.

Although the Company believes that the assumptions and expectations reflected in such forward-looking statements are reasonable, we can give no assurance that these assumptions and expectations will prove to be correct, and since forward-looking statements inherently involve risks and uncertainties, undue reliance should not be placed on such statements. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied, by these forward-looking statements. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, investors in securities of the Company should not place undue reliance on these forward-looking statements.

QUALIFIED PERSON

Scientific and technical information contained in this MD&A was reviewed and approved by the Company's EVP, Exploration, Scott Smith, P. Geo, a “qualified person” as defined by National Instrument 43-101 - Standards of Disclosure for Mineral Projects.