

The logo consists of three vertical bars of increasing height from left to right, colored in a gold or yellow hue.

**PRIME MINING CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

For the eight months ended December 31, 2021  
and year ended April 30, 2021

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Prime Mining Corp.

### *Opinion*

We have audited the accompanying consolidated financial statements of Prime Mining Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and April 30, 2021, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the eight month period ended December 31, 2021 and the year ended April 30, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and April 30, 2021, and its financial performance and its cash flows for the eight month period ended December 31, 2021 and the year ended April 30, 2021 in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Carmen Newnham.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

March 29, 2022

**PRIME MINING CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(In Canadian dollars)

	Note	December 31, 2021	April 30, 2021
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 27,413,707	\$ 32,026,806
Receivables		53,349	63,295
Prepaid expenses		138,219	173,537
<b>Total current assets</b>		<b>27,605,275</b>	<b>32,263,638</b>
Value added tax receivable	6	1,049,214	1,016,690
Deposits		-	21,695
Property and equipment	7	616,319	204,349
Exploration and evaluation assets	8	12,514,568	11,285,168
<b>Total assets</b>		<b>\$ 41,785,376</b>	<b>\$ 44,791,540</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade payables and accruals	14	\$ 1,325,936	\$ 833,744
Current portion of lease liabilities	10	46,522	60,384
<b>Total current liabilities</b>		<b>1,372,458</b>	<b>894,128</b>
Long-term payable	9	944,292	915,021
Lease liabilities	10	154,034	3,597
<b>Total liabilities</b>		<b>2,470,784</b>	<b>1,812,746</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11	100,113,471	93,072,150
Obligation to issue shares		-	220,000
Reserves	11	13,466,551	9,654,732
Deficit		(74,265,430)	(59,968,088)
<b>Total shareholders' equity</b>		<b>39,314,592</b>	<b>42,978,794</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 41,785,376</b>	<b>\$ 44,791,540</b>

Nature and continuance of operations (note 1)  
Subsequent events (note 19)

Approved by the Board of Directors on March 29, 2022:

"Daniel Kunz" Director

"Paul Sweeney" Director

**PRIME MINING CORP.****CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(In Canadian dollars)

	Note		<b>Eight months ended December 31, 2021</b>	Year ended April 30, 2021
<b>Operating expenses</b>				
General and administrative	5	\$	<b>6,253,384</b>	\$ 5,959,628
Exploration and evaluation	8		<b>8,304,312</b>	4,973,290
Depreciation	7		<b>154,183</b>	106,766
Financing			<b>2,288</b>	23,286
Foreign exchange (gain) loss			<b>(305,421)</b>	3,641
<b>Loss from operations</b>			<b>(14,408,746)</b>	(11,066,611)
Gain on sale of Auramex	1		-	239,379
Rent recovery			<b>68,857</b>	125,706
Interest income			<b>42,547</b>	1,528
<b>Loss and comprehensive loss for the period</b>			<b>\$ (14,297,342)</b>	<b>\$ (10,699,998)</b>
<b>Weighted average shares outstanding - basic and diluted</b>				
			<b>108,431,911</b>	83,134,498
<b>Loss per share - basic and diluted</b>			<b>\$ (0.13)</b>	<b>\$ (0.13)</b>

The accompanying notes are an integral part of these consolidated financial statements.

**PRIME MINING CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Canadian dollars)

	<b>Eight months ended December 31, 2021</b>	Year ended April 30, 2021
<b>OPERATING ACTIVITIES</b>		
Loss for the period	\$ (14,297,342)	\$ (10,699,998)
Items not affecting cash:		
Depreciation	154,183	106,766
Interest income	(42,547)	(1,528)
Share-based compensation	4,381,511	3,553,678
Financing expense	2,288	23,286
Gain on derecognition of right-of-use asset	(1,786)	-
Gain on sale of Auramex	-	(239,379)
Foreign exchange	(3,253)	16,696
Change in non-cash working capital items:		
Receivables	49,277	69,197
Prepaid expenses	57,013	267,455
Trade payables and accruals	635,893	371,877
Cash used in operating activities	<b>(9,064,763)</b>	<b>(6,531,950)</b>
<b>FINANCING ACTIVITIES</b>		
Shares issued for cash	6,264,311	44,424,413
Share issuance costs	(156,383)	(2,408,562)
Share subscriptions received	-	220,000
Lease liabilities	(46,143)	(82,563)
Repayment of loans	-	(1,000,000)
Finance expense	-	(164,678)
Cash provided by financing activities	<b>6,061,785</b>	<b>40,988,610</b>
<b>INVESTING ACTIVITIES</b>		
Value added tax receivable	-	(1,123,365)
Exploration and evaluation assets	(1,229,400)	(2,281,700)
Purchase of equipment	(423,268)	(47,137)
Interest received	42,547	1,528
Cash used in investing activities	<b>(1,610,121)</b>	<b>(3,450,674)</b>
<b>(Decrease) increase in cash</b>	<b>(4,613,099)</b>	<b>31,005,986</b>
<b>Cash, beginning of period</b>	<b>32,026,806</b>	<b>1,020,820</b>
<b>Cash, end of period</b>	<b>\$ 27,413,707</b>	<b>\$ 32,026,806</b>

Supplemental disclosure with respect to cash flows (note 16)

The accompanying notes are an integral part of these consolidated financial statements.

**PRIME MINING CORP.**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(In Canadian dollars)

	Note	Common shares	Share capital	Obligation to issue shares	Reserves	Deficit	Shareholders' equity
At April 30, 2021		100,841,583	\$ 93,072,150	\$ 220,000	\$ 9,654,732	\$ (59,968,088)	\$ 42,978,794
Share issuance costs		-	(12,682)	-	-	-	(12,682)
Stock options exercised	11b)	265,000	259,669	-	(108,669)	-	151,000
Warrants exercised	11b)	11,266,622	6,574,334	-	(461,023)	-	6,113,311
Warrants exercise proceeds received	11b)	200,000	220,000	(220,000)	-	-	-
Stock-based compensation	11d)	-	-	-	4,381,511	-	4,381,511
Loss for the period		-	-	-	-	(14,297,342)	(14,297,342)
<b>At December 31, 2021</b>		<b>112,573,205</b>	<b>\$ 100,113,471</b>	<b>\$ -</b>	<b>\$ 13,466,551</b>	<b>\$ (74,265,430)</b>	<b>\$ 39,314,592</b>

	Note	Common shares	Share capital	Obligation to issue shares	Reserves	Deficit	Shareholders' equity
At April 30, 2020		59,599,382	\$ 49,827,410	\$ -	\$ 6,768,644	\$ (49,268,090)	\$ 7,327,964
Private placement, net of share issuance costs – June 2020	11b)	20,000,000	9,431,470	-	-	-	9,431,470
Shares issued for property acquisition		330,000	465,000	-	-	-	465,000
Private placement, net of share issuance costs – April 2021		9,746,250	26,767,705	-	-	-	26,767,705
Stock options exercised	11b)	2,500,000	1,765,513	-	(755,513)	-	1,010,000
Warrants exercised		8,665,951	4,815,052	-	(152,077)	-	4,662,975
Warrant exercise proceeds received		-	-	220,000	-	-	220,000
Warrants issued to financial advisory firm		-	-	-	240,000	-	240,000
Stock-based compensation	11d)	-	-	-	3,553,678	-	3,553,678
Loss for the year		-	-	-	-	(10,699,998)	(10,699,998)
At April 30, 2021		100,841,583	\$ 93,072,150	\$ 220,000	\$ 9,654,732	\$ (59,968,088)	\$ 42,978,794

The accompanying notes are an integral part of these consolidated financial statements.



**PRIME MINING CORP.**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the eight months ended December 31, 2021 and year ended April 30, 2021

(In Canadian dollars, except share numbers)

**1. Nature and continuance of operations**

Prime Mining Corp. (“Prime” or “the Company”) was incorporated on May 14, 1981, under the laws of the Province of British Columbia, Canada. The Company acquires, explores, and develops interests in mineral projects in Mexico.

The Company’s subsidiaries are as follows:

<b>Subsidiary</b>	<b>Jurisdiction</b>	<b>Operating status</b>
Minera Amari SA de CV (“Minera Amari”)	Mexico	Los Reyes Project
Exploracion Auramex SA de CV (“Auramex”) <sup>(1)</sup>	Mexico	Magenta Project
ePower Metals SA de CV	Mexico	Holding mineral claims
Argus Metals (BGI) Inc.	Barbados	Inactive
ePower Metalen	Suriname	Inactive

<sup>(1)</sup> On April 30, 2021, the Company divested Auramex for \$nil consideration resulting in a gain on sale of \$239,379.

The Company is listed for trading on the TSX Venture Exchange (“TSX-V” or the “Exchange”) under the symbol PRYM. 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’s registered and records office is located at Suite 2200, 885 West Georgia Street, Vancouver, BC, V6C 3E8.

The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations.

The Company has not generated revenue from operations. The Company recorded a loss of \$14,297,342 during the eight months ended December 31, 2021 and, as of that date, the Company’s deficit was \$74,265,430. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. The Company had cash of \$27,413,707 at December 31, 2021 that the Company estimates will be sufficient to maintain operations for at least the next twelve months.

During March 2020, the World Health Organization declared covid-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

**PRIME MINING CORP.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the eight months ended December 31, 2021 and year ended April 30, 2021

(In Canadian dollars, except share numbers)

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**2. Basis of preparation**

**a) Change of year end**

During the eight months ended December 31, 2021, the Company changed its fiscal year end from April 30 to December 31. The Company's transition period is the eight months ended December 31, 2021. The comparative period is the twelve months ended April 30, 2021. The new financial year will align the Company with its Mexican subsidiaries. Further, there will be better alignment with the Company's peers in the mineral resources sector to facilitate assessment of the Company's business performance.

**b) Statement of Compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved by the Board of Directors and authorized for issue on March 29, 2022.

**c) Basis of measurement**

The consolidated financial statements have been prepared using the historical cost basis, except for certain financial instruments carried at fair value. The measurement bases are fully described in the accounting policies below. The consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**d) Functional currency and presentation currency**

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

**3. Significant accounting policies**

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

**a) Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Auramex until sold, Minera Amari, ePower Metals SA de CV, Argus Metals (BGI) Inc., and ePower Metalen. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant intercompany transactions and balances have been eliminated upon consolidation.

**b) Foreign currency transaction**

Foreign currency amounts are translated into each entity's functional currency as follows:

**PRIME MINING CORP.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the eight months ended December 31, 2021 and year ended April 30, 2021

(In Canadian dollars, except share numbers)

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At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into the entity's functional currency by the use of the exchange rate in effect at that date. At the period-end date, unsettled monetary assets and liabilities are translated into the functional currency by using the exchange rate in effect at the period-end date and the related translation differences are recognized in profit or loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into the functional currency by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into the functional currency by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in profit or loss or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

**c) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, demand deposits with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For statement of cash flow presentation purposes, cash and cash equivalents includes bank overdrafts. For the years presented, the Company was only holding cash.

**d) Value added tax receivable**

Non-current tax receivable consists of a value added tax ("VAT") receivable which represents a tax payment relating to the Los Reyes project acquisition paid by the Company in Mexico which is refundable from the Mexican government. The recovery of VAT receivable involves a complex application process, and the timing of collection is uncertain. The Company has not recognized a loss allowance for expected credit losses as the VAT receivable is not a contract asset and therefore outside the scope of IFRS 9.

**e) Mineral exploration and evaluation expenditures**

*i. Pre-exploration costs*

Pre-exploration costs are expensed in the year in which they are incurred.

*ii. Exploration and evaluation expenditures*

The costs of acquiring exploration properties, including transaction costs, are capitalized as exploration and evaluation assets. Costs incurred prior to the legal right to explore is obtained, are expensed in the period in which they are incurred.

The Company expenses 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. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase.

When a project is deemed to no longer have commercially viable prospects to the Company, capitalized costs in respect of that project are deemed to be impaired. As a result, those capitalized exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

**PRIME MINING CORP.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the eight months ended December 31, 2021 and year ended April 30, 2021

(In Canadian dollars, except share numbers)

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The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell or value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties. As the Company currently has no operational income, any incidental revenues earned in connection with exploration and evaluation assets are applied as a reduction to capitalized costs.

**f) Reclamation deposits**

Deposits which are subject to contractual restrictions on use are classified separately as reclamation deposits. Reclamation deposits are recorded at amortized cost.

**g) Equipment**

*i. Recognition and measurement*

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

*ii. Subsequent costs*

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

*iii. Major maintenance and repairs*

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

*iv. Gains and losses*

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized in profit and loss.

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**v. Depreciation**

Depreciation is recognized in profit or loss and is provided on a declining-balance basis and on a straight-line basis over the estimated useful life of the assets as follows:

Office and equipment	10% - 100% declining balance
Project equipment	10% declining balance
Right-of-use assets	straight line

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**h) Leases**

The Company assesses whether a contract is or contains a lease, at the inception of a contract. The Company recognizes a right-of-use ("ROU") asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions:

- i. the Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or
- ii. for leases of low value. The payments for such leases are recognized in profit or loss on a straight-line basis over the lease term.

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

ROU assets are included in property and equipment, and the lease liability is presented as a separate line in the consolidated statement of financial position. Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in profit or loss.

**i) Impairment of non-financial assets**

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

**PRIME MINING CORP.**

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Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company performs impairment testing on each cash-generating unit.

An impairment loss is charged to profit or loss, except to the extent it reverses gains previously recognized in accumulated other comprehensive loss/income.

**j) Financial instruments**

*i. Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

<b>Financial assets/liabilities</b>	<b>Classification in IFRS 9</b>
Cash	FVTPL
Receivables	Amortized cost
Deposits	Amortized cost
Trade payables and accruals	Amortized cost
Long-term payable	Amortized cost
Lease liabilities	Amortized cost

*ii. Measurement*

**Financial assets and liabilities at amortized cost**

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

**Financial assets and liabilities at FVTPL**

Financial assets and liabilities carried at FVTPL are initially recognized at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

**Impairment of financial assets at amortized cost**

An "expected credit loss" impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follow: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit and loss for the period.

**PRIME MINING CORP.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

*iii. Derecognition*

**Financial assets**

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains or losses on the derecognition are generally recognized in profit or loss.

**k) Provision**

*i. Rehabilitation Provision*

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities include restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur.

*ii. Other Provisions*

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

**l) Income taxes**

Income tax expense comprises current and deferred tax expense. Current tax and deferred tax expense are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

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Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

**m) Share capital**

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**n) Warrants issued in equity financing transactions**

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are valued based on the residual value method and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share-based payments.

**o) Loss per share**

Basic earnings (loss) per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted earnings (loss) per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. For the years presented, this calculation provides to be anti-dilutive.

**p) Share-based payments**

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to operations over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting



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conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

**q) New accounting standards issued and not yet effective**

Certain IFRS pronouncements that are mandatory for accounting years beginning on or after January 1, 2022 have been issued. The Company anticipates that the application of these new and revised standards, amendments and interpretations will have no material impact on its results and financial position.

**4. Critical accounting estimates and judgements**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in total comprehensive loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about such judgements and estimates is contained in the description of accounting policies (note 3) and other notes to the financial statements. Management has made the following critical accounting judgements and estimates:

*i. Critical judgments in applying accounting policies*

**Exploration and evaluation assets**

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes

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available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.

*ii. Key sources of estimation uncertainty*

**Rehabilitation provisions**

Rehabilitation provisions have been created based on the Company's internal estimates with future period amounts discounted to reflect the time value of money. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred.

**Income tax**

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes it has adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company may recognize deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

**Share-based payment transactions**

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 11.

**VAT receivable**

The recovery of VAT receivable involves a complex application process, and the timing of collection is uncertain. The Company has not recognized a loss allowance for expected credit losses as the VAT receivable is not a contract asset and therefore outside the scope of IFRS 9.

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**5. General and administrative expense**

	Note		<b>Eight months ended December 31, 2021</b>	Year ended April 30, 2021
Salaries, directors fees and personnel	14	\$	<b>1,297,244</b>	\$ 1,431,087
Consulting and professional fees			<b>246,957</b>	341,201
Investor relations			<b>65,192</b>	321,304
Office and other			<b>262,480</b>	312,358
Share-based compensation	11d), 14		<b>4,381,511</b>	3,553,678
		\$	<b>6,253,384</b>	\$ 5,959,628

**6. Value added tax receivable**

Value added tax ("VAT") receivable represents a tax payment paid by the Company in Mexico which are refundable from the Mexican government.

The Company recorded the VAT paid on the purchase of Los Reyes Project resulting in a VAT receivable of \$1,049,214 (April 30, 2021 - \$1,016,690). Upon receipt of the VAT receivable the Company is required to settle the long-term payable (note 9). During the eight months ended December 31, 2021, the Company recorded VAT of \$944,076 paid on additional Los Reyes Project expenditures to exploration and evaluation expense (note 8b).

**7. Property and equipment**

		Office equipment	Right of use assets	Project equipment	Total
<b>Cost</b>					
At May 1, 2021	\$	66,905	\$ 192,268	\$ 163,311	\$ 422,484
Additions		-	231,960	351,681	583,641
At December 31, 2021		66,905	424,228	514,992	1,006,125
<b>Accumulated depreciation</b>					
At May 1, 2021		40,417	139,824	37,894	218,135
Depreciation		14,038	45,148	94,997	154,183
Disposal		-	17,488	-	17,488
At December 31, 2021		54,455	202,460	132,891	389,806
Carrying amount December 31, 2021	\$	12,450	\$ 221,768	\$ 382,101	\$ 616,319
		Office equipment	Right of use assets	Project equipment	Total
<b>Cost</b>					
At May 1, 2020	\$	62,965	\$ 192,268	\$ 120,114	\$ 375,347
Additions		3,940	-	43,197	47,137
At April 30, 2021		66,905	192,268	163,311	422,484
<b>Accumulated depreciation</b>					
At May 1, 2020		26,888	69,912	14,569	111,369
Depreciation		13,529	69,912	23,325	106,766
At April 30, 2021		40,417	139,824	37,894	218,135
Carrying amount April 30, 2021	\$	26,488	\$ 52,444	\$ 125,417	\$ 204,349

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**8. Exploration and evaluation assets and expenditures****a) Acquisition of the Los Reyes Project**

During August 2019 and subsequently amended, the Company closed the Los Reyes Assignment Agreement with Minera Alamos Inc. ("MAI"), Vista Gold Corp. ("Vista Gold"), and the Mexican subsidiaries of each of MAI and the Company, pursuant to which MAI assigned the rights to an option to earn a 100% interest in the Los Reyes Project in Sinaloa State, Mexico. During June 2021, the Company completed the final option payment cancelling all royalties and rights held by Vista Gold and completed the acquisition of the Los Reyes Project.

During February 2020, the Company entered into a surface-rights agreement with local landowners. The Company has the right to extend the exploration period for up to two additional years by making an annual payment of US\$20,000 in 2024 and US\$30,000 in 2025. The Company may initiate construction of a mine at any time. If construction begins prior to February 2025, the annual payment will increase to US\$30,000. Once commercial production starts, the annual payment will increase to US\$200,000. The payments are subject to customary indexing for inflation.

Acquisition costs capitalized as exploration assets are as follows:

	<b>Los Reyes Project</b>
At May 1, 2020	\$ 7,531,775
Additions <sup>(1)</sup>	3,753,393
At April 30, 2021	<b>11,285,168</b>
Additions <sup>(2)</sup>	<b>1,229,400</b>
<b>At December 31, 2021</b>	<b>\$ 12,514,568</b>

<sup>(1)</sup> During the year ended April 30, 2021, the Company paid US\$2,600,000 to Vista Gold. towards the acquisition of the Los Reyes Project. Additionally, the Company issued 330,000 common shares valued at \$465,000 related to finders' fees.

<sup>(2)</sup> During the eight months ended December 31, 2021, the Company paid the final option payment of US\$1,000,000 to Vista Gold.

**b) Expenditures***i. Los Reyes Project period expenditures*

Project expenditures during the eight months ended December 31, 2021, and the year ended April 30, 2021, are summarized as follows:

	Note	<b>Eight months ended December 31, 2021</b>	Year ended April 30, 2021
Salaries and personnel	14	\$ <b>1,644,108</b>	\$ 1,275,543
Drilling		<b>3,919,809</b>	1,454,607
Resource estimation and technical services		<b>765,309</b>	1,122,233
Equipment and field supplies		<b>547,575</b>	229,168
Land payments and maintenance		<b>69,862</b>	159,111
General and administrative		<b>413,573</b>	131,472
Value added tax		<b>944,076</b>	601,156
		<b>\$ 8,304,312</b>	\$ 4,973,290

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ii. *Los Reyes Projects cumulative expenditures*

Project expenditures since acquisition, are summarized as follows:

	<b>Total</b>
Salaries and personnel	\$ 3,164,891
Drilling	5,374,416
Resource estimation and technical services	2,193,762
Equipment and field supplies	1,076,059
Land payments and maintenance	453,162
General and administrative	638,344
Value added tax	1,545,232
	<b>\$ 14,445,866</b>

**9. Long-term payable**

The Los Reyes Amended Option Agreement requires the Company to reimburse Vista Gold 90% of the VAT receivable of \$944,292 (US\$744,828), associated with the Los Reyes Project purchase (notes 6 and 8) when the funds are received. Collection of the VAT receivable is not expected within twelve months and accordingly the payable is presented as a non-current liability.

**10. Lease liabilities**

The Company had a premises lease expiring January 31, 2022, with monthly payments of \$6,510. On November 1, 2021, the Company and the landlord agreed to relinquish the lease and enter into a new lease agreement. The new lease has a term of 5-years with monthly payments of \$4,120 and an implicit interest rate of 10%. At December 31, 2021, the undiscounted lease liability was \$249,098.

The Company has a lease for office equipment over a term of five years with monthly payments of \$370 and an implicit interest rate of 8%.

	<b>Premises lease</b>		<b>Equipment lease</b>		<b>Total</b>
Balance, April 30, 2020	\$ 127,177	\$	11,343	\$	138,520
Interest	7,305		719		8,024
Payments	(78,120)		(4,443)		(82,563)
Balance, April 30, 2021	\$ 56,362	\$	7,619	\$	63,981
Relinquishment	<b>(19,274)</b>		-		<b>(19,274)</b>
Addition	<b>199,704</b>		-		<b>199,704</b>
Interest	<b>1,975</b>		<b>313</b>		<b>2,288</b>
Payments	<b>(43,183)</b>		<b>(2,960)</b>		<b>(46,143)</b>
<b>Balance, December 31, 2021</b>	<b>\$ 195,584</b>	<b>\$</b>	<b>4,972</b>	<b>\$</b>	<b>200,556</b>

At December 31, 2021, the current and long-term lease liabilities were \$46,522 and \$154,034, respectively (April 30, 2021 - \$60,384 and \$3,597, respectively).

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**11. Capital stock****a) Authorized share capital**

Unlimited number of common shares without par value.

**b) Issued capital**

At December 31, 2021, there were 112,573,205 issued and outstanding common shares (April 30, 2021 - 100,841,583).

The Company had the following common share transactions during the eight months ended December 31, 2021:

- The Company issued 11,266,622 common shares for gross proceeds of \$6,113,311 upon exercise of warrants.
- The Company issued 265,000 common shares for gross proceeds of \$151,000 upon exercise of options.
- The Company issued 200,000 common shares to settle the exercise of warrants.

The Company had the following common share transactions during the year ended April 30, 2021:

- On April 27, 2021, the Company closed a private placement of 9,746,250 units at a price of \$2.95 per unit for gross proceeds of \$28,751,438, with transaction costs of \$1,983,733. Each unit consists of one common share and one half of one common share purchase warrant exercisable at a price of \$5.00 until April 27, 2024.
- On June 12, 2020, the Company closed a private placement of 20,000,000 units at a price of \$0.50 per unit for gross proceeds of \$10,000,000, with transaction costs of \$568,530. Each unit consists of one common share and one common share purchase warrant exercisable at a price of \$1.10 until June 12, 2025.
- The Company issued 330,000 common shares valued at \$465,000 related to finders' fees (note 8).
- The Company issued 8,665,951 common shares for gross proceeds of \$4,662,975 upon exercise of warrants. Additionally, proceeds of \$220,000 were received for which 200,000 common shares were issued subsequent to April 30, 2021.
- The Company issued 2,500,000 common shares for gross proceeds of \$1,010,000 upon exercise of options.

**c) Warrants**

Warrant transactions and the number of warrants outstanding during the eight months ended December 31, 2021 and the year ended April 30, 2021, are summarized as follows:

	Number of warrants	Weighted average exercise price (\$)
Outstanding at April 30, 2020	18,588,525	0.50
Granted	26,073,125	1.83
Exercised	(8,665,951)	0.54
Outstanding at April 30, 2021	<b>35,995,699</b>	<b>1.45</b>
Cancelled	<b>(5,952)</b>	<b>0.50</b>
Exercised	<b>(11,466,622)</b>	<b>0.55</b>
Outstanding at December 31, 2021	<b>24,523,125</b>	<b>1.87</b>

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Warrants outstanding at December 31, 2021 and April 30, 2021, are as follows:

Issuance date	Expiry date	Exercise price (\$)	Warrants outstanding at	
			December 31, 2021	April 30, 2021
August 28, 2019	August 28, 2021	0.50	-	10,472,574
June 12, 2020 <sup>(1)</sup>	June 12, 2025	1.10	<b>19,650,000</b>	20,650,000
April 27, 2021	April 27, 2024	5.00	<b>4,873,125</b>	4,873,125

<sup>(1)</sup> During the year ended April 30, 2021, the Company paid a financial advisory firm a fee of 1,200,000 warrants for consulting advisory services to be provided over 24 months. The warrants were valued at \$240,000 based on the fair value of the services. At December 31, 2021, \$50,000 (April 30, 2021 - \$130,000) is included in prepaid expenses.

**d) Stock options**

The Company has a stock option plan by which the directors may grant options to purchase common shares to directors, officers, employees and service providers of the Company on terms that the directors may determine within the limitations set forth in the stock option plan ("the plan"). The maximum number of common shares issuable upon the exercise of options granted pursuant to the plan is set at 10% of the total issued common shares. The board of directors may grant options with a life of up to ten years, however options granted to date have a maximum term of five years. Vesting terms may be set by the board of directors.

Stock option transactions and the number of stock options outstanding during the eight months ended December 31, 2021 and the year ended April 30, 2021, are summarized as follows:

	Number of share options	Weighted average exercise price (\$)
Outstanding at April 30, 2020	5,455,000	0.40
Granted	4,700,000	1.16
Exercised	(2,500,000)	0.40
Forfeited	(90,000)	0.43
Outstanding at April 30, 2021	<b>7,565,000</b>	<b>0.87</b>
Granted	<b>2,910,000</b>	<b>4.01</b>
Exercised	<b>(265,000)</b>	<b>0.57</b>
<b>Outstanding at December 31, 2021</b>	<b>10,210,000</b>	<b>1.78</b>
<b>Exercisable at December 31, 2021</b>	<b>7,903,333</b>	<b>1.13</b>

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Share options outstanding and exercisable at December 31, 2021, are as follows:

Outstanding				Exercisable		
Exercise price (\$)	Number of options	Weighted average exercise price (\$)	Weighted average remaining life of options (years)	Number of options exercisable	Weighted average exercise price (\$)	Remaining life of options (years)
0.40	2,400,000	0.40	2.76	2,400,000	0.40	2.76
0.42	250,000	0.42	3.11	250,000	0.42	3.11
0.95	3,100,000	0.95	3.45	3,100,000	0.95	3.45
1.30	700,000	1.30	3.50	700,000	1.30	3.50
1.65	300,000	1.65	3.75	300,000	1.65	3.75
1.75	125,000	1.75	3.96	125,000	1.75	3.96
1.92	425,000	1.92	3.59	425,000	1.92	3.59
3.38	100,000	3.38	4.36	66,666	3.38	4.36
3.50	600,000	3.50	4.37	-	3.50	4.37
4.18	2,210,000	4.18	4.73	536,667	4.18	4.73
	<b>10,210,000</b>	<b>1.78</b>	<b>3.65</b>	<b>7,903,333</b>	<b>1.13</b>	<b>3.36</b>

The fair value of stock options recognized during the eight months ended December 31, 2021, as an expense was \$4,381,511 (year ended April 30, 2021 - \$3,553,678).

The following are the weighted average assumptions used for the Black-Scholes option pricing model valuation of share options granted during the eight months ended December 31, 2021 and the year ended April 30, 2021:

	Eight months ended December 31, 2021	Year ended April 30, 2021
Risk-free interest rate	1.01%	0.36%
Expected life of options	5 years	5 years
Annualized volatility	82.7%	90.0%
Forfeiture rate	-	-
Dividend rate	-	-
Weighted average grant-date fair value per option	\$2.63	\$0.79

The risk-free rate of periods within the expected life of the share option is based on the Canadian government bond rate. The annualized volatility and forfeiture rate assumptions are based on historical results.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**12. Income taxes**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	<b>Eight months ended December 31, 2021</b>	Year ended April 30, 2021
Loss for the year	\$ (14,297,342)	\$ (10,699,998)
Combined Canadian federal and provincial income tax rates	<b>27.0%</b>	27.0%
Expected income tax (recovery)	<b>(3,860,000)</b>	(2,889,000)
Items that cause an increase (decrease):		
Change in statutory, foreign tax, foreign exchange rates and other	<b>(355,000)</b>	128,000
Permanent difference	<b>1,055,000</b>	859,000
Share issue cost	<b>(3,000)</b>	(689,000)
Adjustment to prior years provision versus statutory tax returns	<b>12,000</b>	-
Change in unrecognized temporary differences	<b>3,151,000</b>	2,591,000
Income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

	<b>Eight months ended December 31, 2021</b>	<b>Expiry date range</b>	Year ended April 30, 2021	<b>Expiry date range</b>
Exploration and evaluation assets	\$ 28,188,000	<b>No expiry date</b>	\$ 18,472,000	No expiry date
Investment tax credit	<b>49,000</b>	<b>2027 to 2030</b>	49,000	2028 to 2031
Property and equipment	<b>203,000</b>	<b>No expiry date</b>	91,000	No expiry date
Share issue costs	<b>2,117,000</b>	<b>2042 to 2046</b>	2,571,000	2042 to 2045
Allowable capital losses	<b>9,053,000</b>	<b>No expiry date</b>	8,834,000	No expiry date
Non-capital losses available for further periods	\$ 14,948,000	<b>2027 to 2041</b>	\$ 14,206,000	2027 to 2041

Tax attributes are subject to review, and potential adjustment, by tax authorities.

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**13. Loss per share**

The calculation of the basis and diluted loss per share is based on the following:

	<b>Eight months ended December 31, 2021</b>	Year ended April 30, 2021
Loss for the year	\$ (14,297,342)	\$ (10,699,998)
Weighted average number of common shares outstanding	<b>108,431,911</b>	83,134,498
Loss per share, basic and diluted	\$ <b>(0.13)</b>	\$ (0.13)

Diluted loss per share for the eight months ended December 30, 2021 and year ended April 30, 2021, is equal to basic loss per share as the exercise of the 10,210,000 options (April 30, 2021 – 7,565,000) and 24,523,125 warrants (April 30, 2021 - 35,995,699) would be anti-dilutive.

**14. Related party transactions and balances**

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:

	<b>Eight months ended December 31, 2021</b>	Year ended April 30, 2021
Salaries, personnel and benefits <sup>(1)</sup>	\$ <b>1,338,608</b>	\$ 1,353,177
Directors fees	<b>140,920</b>	175,401
Share-based compensation	<b>2,611,445</b>	3,268,843
	\$ <b>4,090,973</b>	\$ 4,797,421

<sup>(1)</sup> Salaries, personnel and benefits includes salaries of \$205,000 (year ended April 30, 2021 - \$288,628) included in exploration and evaluation expenditures (note 8b).

Trade payables and accruals include \$593,070 (April 30, 2021 - \$16,250) owed to directors and officers of the Company.

During the year ended April 30, 2021, the Company repaid the loan balance, interest and commitment fee owed to a director and officer of \$1,164,678.

**PRIME MINING CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the eight months ended December 31, 2021 and year ended April 30, 2021

(In Canadian dollars, except share numbers)

**15. Segmented information**

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. At December 31, 2021 and April 30, 2021, all exploration and evaluation assets and property and equipment were located in Canada and Mexico.

	December 31, 2021	April 30, 2021
Canada	\$ 234,218	\$ 78,932
Mexico	12,896,669	11,410,585
	\$ 13,130,887	\$ 11,489,517

**16. Supplemental disclosure with respect to cash flow**

	Eight months ended December 31, 2021	Year ended April 30, 2021
Grant date fair value of warrants exercised	\$ 461,023	\$ 152,077
Grant date fair value of stock options exercised	108,669	755,513
Right of use asset disposal	17,488	-
Lease liability relinquishment	19,274	-
Recognition of lease liability	199,704	-
Shares issued for obligation to issue shares	220,000	-
Prepaid consulting fees paid with warrants	-	240,000
Shares issued for exploration and evaluation assets	-	465,000
Financing fee included in trade payable and accruals	(143,701)	143,701
Non-current payables for exploration and evaluation assets	\$ -	\$ 1,005,000

**17. Financial instruments and risk management****a) Interest rate risk**

The Company's interest rate risk mainly arises from changes in the interest rates on cash. Cash generates interest based on market interest rates. At December 31, 2021, the Company was not subject to significant interest rate risk.

**b) Credit risk**

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's credit risk arises primarily with respect to money market investments.

The Company manages its credit risk by investing only in high quality financial institutions.

The recovery of VAT receivable involves a complex application process, and the timing of collection is uncertain. The Company has not recognized a loss allowance for expected credit losses as the VAT receivable is not a contract asset and therefore outside the scope of IFRS 9.

The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and receivables.

**PRIME MINING CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the eight months ended December 31, 2021 and year ended April 30, 2021

(In Canadian dollars, except share numbers)

**c) Currency risk**

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. At December 31, 2021, the Company has activities in other countries which exposes the Company to foreign exchange risk.

With other variables unchanged, a 10% increase (decrease) in the Canadian dollar would have the following effect on loss for the period:

	<b>December 31,</b>		April 30,
	<b>2021</b>		2021
US dollar	\$ 245,308	\$	76,664
Mexican peso	\$ 95,710	\$	97,585

The Company's financial assets and liabilities denominated in foreign currencies are as follows:

	<b>December 31,</b>		April 30,
	<b>2021</b>		2021
Cash	\$ 3,927,517	\$	2,155,736
VAT Receivable	1,049,214		1,016,690
Payables and accruals	574,604		514,912
Long-term payable	\$ 944,292	\$	915,021

**d) Liquidity risk**

The Company manages liquidity risk by maintaining adequate cash balances. If necessary, the Company may raise funds through the issuance of debt, equity or sale of non-core assets. The Company attempts to ensure 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.

**e) Fair value hierarchy**

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable marker data (unobservable inputs).

Cash is measured at fair value using Level 1. The carrying value of receivables, deposits, trade payables and accruals, long-term payable and lease liability approximates their fair value due to the relatively current nature of those financial instruments.

**PRIME MINING CORP.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the eight months ended December 31, 2021 and year ended April 30, 2021

(In Canadian dollars, except share numbers)

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**18. Capital management**

The Company manages its capital, being the components of shareholders' equity, and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company has historically relied on the equity markets to fund its activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any external limitations on capital management and there were no changes to the Company's approach to capital management in the eight months ended December 31, 2021.

**19. Subsequent events**

Subsequent to December 31, 2021, the Company:

- Issued 120,000 common shares for gross proceeds of \$132,000 upon exercise of warrants.