

The logo consists of three vertical bars of increasing height from left to right, colored in a golden-brown hue.

**PRIME MINING CORP.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three and six months ended  
June 30, 2023 and 2022  
(Unaudited)

**PRIME MINING CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(In Canadian dollars) - Unaudited

	Note	June 30, 2023	December 31, 2022
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 43,669,878	\$ 23,811,434
Receivables		35,902	82,592
Prepaid expenses		112,630	168,996
<b>Total current assets</b>		<b>43,818,410</b>	<b>24,063,022</b>
Value added tax receivable	4	821,793	840,662
Property and equipment	5	601,239	686,954
Exploration and evaluation asset	6	12,514,568	12,514,568
<b>Total assets</b>		<b>\$ 57,756,010</b>	<b>\$ 38,105,206</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade payables and accruals	9	\$ 671,578	\$ 1,173,290
Current portion of lease liabilities		37,668	35,850
<b>Total current liabilities</b>		<b>709,246</b>	<b>1,209,140</b>
Long-term payable	7	739,614	756,596
Lease liabilities		106,872	126,425
<b>Total liabilities</b>		<b>1,555,732</b>	<b>2,092,161</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	150,750,734	120,115,589
Reserves	8	18,796,819	17,535,146
Deficit		(113,347,275)	(101,637,690)
<b>Total shareholders' equity</b>		<b>56,200,278</b>	<b>36,013,045</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 57,756,010</b>	<b>\$ 38,105,206</b>

Nature and continuance of operations (note 1)

Approved by the Board of Directors on August 16, 2023:

\_\_\_\_\_  
*"Daniel Kunz"* Director

\_\_\_\_\_  
*"Paul Sweeney"* Director

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

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

(In Canadian dollars) - Unaudited

		<b>Three months ended</b>		<b>Six months ended</b>	
	<b>Note</b>	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>
		<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Operating expenses</b>					
Exploration and evaluation	6	\$ 4,039,306	\$ 5,387,543	\$ 8,026,957	\$ 9,986,903
General and administrative	3	1,539,052	928,598	3,102,597	3,659,268
Value added tax provision	4	707,922	770,247	1,627,930	1,478,549
Depreciation	5	41,903	38,823	91,242	81,628
Financing		3,758	4,635	7,729	11,112
Foreign exchange gain		(205,990)	(28,000)	(562,011)	(57,226)
<b>Loss from operations</b>		<b>(6,125,951)</b>	<b>(7,101,846)</b>	<b>(12,294,444)</b>	<b>(15,160,234)</b>
Interest income		411,833	37,930	584,859	57,948
<b>Loss and comprehensive loss for the period</b>		<b>\$ (5,714,118)</b>	<b>\$ (7,063,916)</b>	<b>\$ (11,709,585)</b>	<b>\$ (15,102,286)</b>
<b>Weighted average shares outstanding - basic and diluted</b>					
		<b>138,597,114</b>	<b>112,693,205</b>	<b>133,072,774</b>	<b>112,681,161</b>
<b>Loss per share - basic and diluted</b>		<b>\$ (0.04)</b>	<b>\$ (0.06)</b>	<b>\$ (0.09)</b>	<b>\$ (0.13)</b>

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

**PRIME MINING CORP.**  
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In Canadian dollars) - Unaudited

<b>Six months ended</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
<b>OPERATING ACTIVITIES</b>		
Loss for the period	\$ (11,709,585)	\$ (15,102,286)
Items not affecting cash:		
Depreciation	91,242	81,628
Interest income	(584,859)	(57,948)
Share-based compensation	1,433,720	2,428,719
Consulting services	124,790	-
Financing expense	7,729	11,112
Equipment disposal	-	31,606
Foreign exchange	1,886	12,908
Change in non-cash working capital items:		
Receivables	46,690	(30,021)
Prepaid expenses	56,366	69,253
Trade payables and accruals	(422,741)	(446,463)
Cash used in operating activities	<b>(10,954,762)</b>	<b>(13,001,492)</b>
<b>FINANCING ACTIVITIES</b>		
Shares issued for cash	30,337,521	132,000
Share issuance costs	(78,184)	-
Lease liabilities payments	(25,463)	(31,063)
Cash provided by financing activities	<b>30,233,874</b>	<b>100,937</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	(5,527)	(129,816)
Interest received	584,859	57,948
Cash provided by (used in) investing activities	<b>579,332</b>	<b>(71,868)</b>
<b>Increase (decrease) in cash</b>	<b>19,858,444</b>	<b>(12,972,423)</b>
<b>Cash, beginning of period</b>	<b>23,811,434</b>	<b>27,413,707</b>
<b>Cash, end of period</b>	<b>\$ 43,669,878</b>	<b>\$ 14,441,284</b>

For the periods presented, there were no significant non-cash transactions completed.

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

**PRIME MINING CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(In Canadian dollars) - Unaudited

	Note	Common shares	Share capital	Reserves	Deficit	Shareholders' equity
At December 31, 2022		127,154,718	\$ 120,115,589	\$ 17,535,146	\$ (101,637,690)	\$ 36,013,045
Private placement, share issuance costs		-	787	-	-	787
Shares issued for consulting services		63,025	124,790	-	-	124,790
Warrants exercised	8b)	15,861,729	30,070,771	-	-	30,070,771
Options exercised		150,000	438,797	(172,047)	-	266,750
Share-based compensation	8d), e), f)	-	-	1,433,720	-	1,433,720
Loss for the period		-	-	-	(11,709,585)	(11,709,585)
<b>At June 30, 2023</b>		<b>143,229,472</b>	<b>\$ 150,750,734</b>	<b>\$ 18,796,819</b>	<b>\$ (113,347,275)</b>	<b>\$ 56,200,278</b>
	Note	Common shares	Share capital	Reserves	Deficit	Shareholders' equity
At December 31, 2021		112,573,205	\$ 100,113,471	\$ 13,466,551	\$ (74,265,430)	\$ 39,314,592
Warrants exercised		120,000	132,000	-	-	132,000
Share-based compensation	8d)	-	-	2,428,719	-	2,428,719
Loss for the period		-	-	-	(15,102,286)	(15,102,286)
At June 30, 2022		112,693,205	\$ 100,245,471	\$ 15,895,270	\$ (89,367,716)	\$ 26,773,025

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

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

For the three and six months ended June 30, 2023 and 2022

(In Canadian dollars, except share numbers) - Unaudited

**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
ePower Metals SA de CV	Mexico	Holding mineral claims
Argus Metals (BGI) Inc. <sup>(1)</sup>	Barbados	Inactive
ePower Metalen	Suriname	Inactive

<sup>(1)</sup> Argus Metals (BGI) Inc. was dissolved during the year ended December 31, 2022.

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 \$11,709,585 during the six months ended June 30, 2023 and, as of that date, the Company’s deficit was \$113,347,275. 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 \$43,669,878 at June 30, 2023 that the Company estimates will be sufficient to maintain operations for at least the next twelve months.

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. 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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three and six months ended June 30, 2023 and 2022

(In Canadian dollars, except share numbers) - Unaudited

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**2. Basis of preparation**

**a) Statement of Compliance**

These condensed interim consolidated financial statements (“interim financial statements”) were approved by the Board of Directors and authorized for issue on August 16, 2023.

These interim financial statements have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). As such, these 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 year ended December 31, 2022, the eight months ended December 31, 2021 and the year ended April 30, 2021 (“annual consolidated financial statements”).

**b) Material accounting policies**

*Basis of measurement*

Except as set out below, the accounting policies applied in the preparation of these interim financial statements are consistent with those applied and disclosed in note 3 to the annual consolidated financial statements.

During the six months ended June 30, 2023, the Company expanded its significant accounting policy on “share-based payments” as follows:

Restricted share units (“RSUs”) and deferred share units (“DSUs”)

The Company may grant RSUs or DSUs to directors, officers and employees. Each RSU and DSU represent an entitlement to one common share of the Company, upon vesting. RSUs and DSUs are redeemable for the issuance of shares on the date of exercise. The Company measures the share-based compensation expense based on the quoted market price of the Company’s common shares on the grant date and recognizes the expense over the vesting period, with a corresponding increase in reserves. When RSUs and DSUs are exercised, the initial recorded value is reversed from reserves and credited to share capital.

*Basis of consolidation*

These interim financial statements include the accounts of the Company and its wholly owned subsidiaries, Minera Amari, Argus Metals (BGI) Inc. until dissolved, ePower Metalen, and ePower Metals SA de CV. All significant intercompany transactions and balances have been eliminated upon consolidation.

*Foreign currency transactions*

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

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 net income.

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

For the three and six months ended June 30, 2023 and 2022

(In Canadian dollars, except share numbers) - Unaudited

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.

The functional currency of the Company and its subsidiaries is the Canadian dollar and these financial statements are presented in Canadian dollars.

**c) 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.

The critical judgements and estimates applied in the preparation of these interim financial statements are consistent with those applied and disclosed in note 4 to the annual consolidated financial statements.

**d) Comparatives**

Certain comparatives have been reclassified to the current period's presentation.

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

IASB or the IFRS Interpretations Committee have issued certain pronouncements that are mandatory for accounting years beginning on or after January 1, 2023. None of these impacted or are expected to have a significant effect to the Company's interim financial statements.

**3. General and administrative expense**

	Note	Three months ended		Six months ended	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Salaries, directors fees and personnel	9	\$ 399,604	\$ 315,261	\$ 779,905	\$ 630,766
Consulting and professional fees	9	187,261	82,020	325,527	205,200
Investor relations		152,071	54,530	330,689	117,980
Office and other		118,453	110,054	232,756	276,603
Share-based compensation	8d), 8e), 8f), 9	681,663	366,733	1,433,720	2,428,719
		\$ 1,539,052	\$ 928,598	\$ 3,102,597	\$ 3,659,268



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

For the three and six months ended June 30, 2023 and 2022

(In Canadian dollars, except share numbers) - Unaudited

**4. 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 US\$827,586. During the year ended December 31, 2022, the Company received VAT of US\$206,897 (2021 - \$nil). At June 30, 2023, there remained a VAT receivable balance of \$821,793 (US\$620,659). Upon receipt of the VAT receivable the Company is required to settle the long-term payable (note 7).

*Value added tax provision*

The complex application process can impact the collectability and timing of funds from the government. As a result, the Company has recognized a provision for a portion of the VAT incurred during the reporting period. During the six months ended June 30, 2023, the Company recorded a provision for VAT incurred of \$1,627,930 (six months ended June 30, 2022 - \$1,478,549) related to additional Los Reyes Project expenditures. Since inception, the Company has recorded a VAT provision of \$5,860,069.

**5. Property and equipment**

	Office equipment	Right of use assets	Project equipment	Total
<b>Cost</b>				
<b>At January 1, 2023</b>	\$ 76,463	\$ 424,228	\$ 783,917	\$ 1,284,608
<b>Additions</b>	-	-	5,527	5,527
<b>At June 30, 2023</b>	<b>76,463</b>	<b>424,228</b>	<b>789,444</b>	<b>1,290,135</b>
<b>Accumulated depreciation</b>				
<b>At January 1, 2023</b>	62,007	248,852	286,795	597,654
<b>Depreciation</b>	3,367	23,196	64,679	91,242
<b>At June 30, 2023</b>	<b>65,374</b>	<b>272,048</b>	<b>351,474</b>	<b>688,896</b>
<b>Carrying amount June 30, 2023</b>	<b>\$ 11,089</b>	<b>\$ 152,180</b>	<b>\$ 437,970</b>	<b>\$ 601,239</b>
	Office equipment	Right of use assets	Project equipment	Total
<b>Cost</b>				
<b>At January 1, 2022</b>	\$ 66,905	\$ 424,228	\$ 514,992	\$ 1,006,125
<b>Additions</b>	9,558	-	268,925	278,483
<b>At December 31, 2022</b>	<b>76,463</b>	<b>424,228</b>	<b>783,917</b>	<b>1,284,608</b>
<b>Accumulated depreciation</b>				
<b>At January 1, 2022</b>	54,455	202,460	132,891	389,806
<b>Depreciation</b>	7,552	46,392	122,298	176,242
<b>Disposal</b>	-	-	31,606	31,606
<b>At December 31, 2022</b>	<b>62,007</b>	<b>248,852</b>	<b>286,795</b>	<b>597,654</b>
<b>Carrying amount December 31, 2022</b>	<b>\$ 14,456</b>	<b>\$ 175,376</b>	<b>\$ 497,122</b>	<b>\$ 686,954</b>

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

For the three and six months ended June 30, 2023 and 2022

(In Canadian dollars, except share numbers) - Unaudited

**6. Exploration and evaluation asset 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.

As at June 30, 2023 and December 31, 2022, \$12,514,568 of acquisition costs were capitalized to the exploration and evaluation asset.

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

Project expenditures during the three and six months ended June 30, 2023 and 2022, are summarized as follows:

	Note	Three months ended		Six months ended	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Drilling		\$ 1,865,045	\$ 3,127,646	\$ 4,147,281	\$ 5,642,212
Salaries and personnel	9	807,397	768,196	1,660,213	1,444,702
Resource assaying, estimation and technical services		551,554	819,660	919,734	1,683,171
Equipment and field supplies		543,272	608,797	780,009	983,823
Land payments and maintenance		99,759	63,700	261,858	137,302
General and administrative		172,279	(456)	257,862	95,693
		\$ 4,039,306	\$ 5,387,543	\$ 8,026,957	\$ 9,986,903

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

For the three and six months ended June 30, 2023 and 2022

(In Canadian dollars, except share numbers) - Unaudited

*ii. Los Reyes Projects cumulative expenditures*

Project expenditures since acquisition, are summarized as follows:

	<b>Total</b>
Drilling	\$ 19,109,239
Salaries and personnel	8,286,529
Resource assaying, estimation and technical services	5,775,120
Equipment and field supplies	3,429,563
Land payments and maintenance	970,897
General and administrative	1,088,648
	<b>\$ 38,659,996</b>

**7. Long-term payable**

The Los Reyes Amended Option Agreement requires the Company to reimburse Vista Gold 90% of the VAT receivable totalling US\$744,828, associated with the Los Reyes Project purchase (notes 4 and 6) when the funds are received.

During the year ended December 31, 2022, the Company received US\$206,897 (2021 - \$nil) of the VAT receivable. A payment of US\$186,207 (2021 - \$nil) was made to Vista Gold. The remaining payable amount of \$739,614 (US\$558,621) requires payment when the VAT receivable is collected.

Collection of the VAT receivable is not expected within twelve months and accordingly the payable is presented as a non-current liability.

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

Unlimited number of common shares without par value.

**b) Issued capital**

At June 30, 2023, there were 143,229,472 issued and outstanding common shares (December 31, 2022 - 127,154,718).

The Company had the following common share transactions during the six months ended June 30, 2023:

- The Company issued 15,861,729 common shares for gross proceeds of \$30,070,771 upon exercise of warrants.
- The Company issued 150,000 common shares for gross proceeds of \$266,750 upon exercise of options.
- Pursuant to an agreement entered in June 2022, the Company issued 63,025 common shares with a fair value of \$124,790 and 63,025 warrants (note 8c) to pay a financial advisory firm fee.

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

For the three and six months ended June 30, 2023 and 2022

(In Canadian dollars, except share numbers) - Unaudited

The Company had the following common share transactions during the year ended December 31, 2022:

- On December 22, 2022, the Company closed a private placement of 14,030,000 units at a price of \$1.50 per unit for gross proceeds of \$21,045,000, with transaction costs of \$1,606,997. Each unit consists of one common share and one common share purchase warrant exercisable at a price of \$2.00 until December 22, 2025. If the volume weighted average trading price of the common shares on the TSX-V for any ten consecutive trading days equals or exceeds \$2.50, the Company may, upon providing written notice to the holders, accelerate the expiry date of the warrants to the date that is 20 days following the date of such written notice.
- In June 2022, the Company entered into an agreement whereby the Company will pay a financial advisory firm a fee of \$450,000 to be paid over 24 months in units for consulting advisory services. Each unit consists of one common share and one common share purchase warrant. The Company issued 74,013 common shares with a fair value of \$139,144 and 74,013 warrants (note 8c).
- The Company issued 227,500 common shares for gross proceeds of \$250,250 upon exercise of warrants.
- The Company issued 250,000 common shares for gross proceeds of \$100,000 upon exercise of options.

**c) Warrants**

Warrant transactions and the number of warrants outstanding during the six months ended June 30, 2023, and the year ended December 31, 2022, are summarized as follows:

	Number of warrants	Weighted average exercise price (\$)
Outstanding at December 31, 2021	24,523,125	1.87
Exercised	(227,500)	1.10
Granted	14,104,013	2.00
Outstanding at December 31, 2022	<b>38,399,638</b>	<b>1.93</b>
Expired	<b>(4,590)</b>	<b>2.00</b>
Exercised	<b>(15,861,729)</b>	<b>1.90</b>
Granted	<b>63,025</b>	<b>2.52</b>
Outstanding at June 30, 2023	<b>22,596,344</b>	<b>1.95</b>

Warrants outstanding at June 30, 2023, and December 31, 2022, are as follows:

Issuance date	Expiry date	Exercise price (\$)	Warrants outstanding at	
			June 30, 2023	December 31, 2022
June 12, 2020	June 12, 2025	1.10	<b>17,586,181</b>	19,422,500
December 22, 2022 <sup>(1)</sup>	December 22, 2025	2.00	-	14,030,000
December 22, 2022	December 22, 2025	2.25	<b>74,013</b>	74,013
June 14, 2023 <sup>(2)</sup>	June 8, 2026	2.52	<b>63,025</b>	-
April 27, 2021	April 27, 2024	5.00	<b>4,873,125</b>	4,873,125

<sup>(1)</sup> During the six months ended June 30, 2023, the volume weighted average trading price of the common shares on the TSX-V exceeded \$2.50 for ten consecutive days and the Company provided written notice to the warrant holders, accelerating the expiry date of the warrants to May 8, 2023. The Company issued 14,025,410 common shares for gross proceeds of \$28,050,820 upon exercise of the warrant relating to the warrant acceleration, 4,590 warrants expired without being exercised.

<sup>(2)</sup> During the six months ended June 30, 2023, the Company paid a financial advisory firm a fee which included 63,025 warrants for consulting advisory services. The fair value of the warrants assessed to be \$nil on issuance.

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

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(In Canadian dollars, except share numbers) - Unaudited

**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 six months ended June 30, 2023, and the year ended December 31, 2022, are summarized as follows:

	Number of share options	Weighted average exercise price (\$)
Outstanding at December 31, 2021	10,210,000	1.78
Granted	1,275,000	2.51
Forfeited	(725,000)	3.51
Exercised	(250,000)	0.40
Outstanding at December 31, 2022	<b>10,510,000</b>	<b>1.78</b>
Granted	<b>700,000</b>	<b>1.97</b>
Exercised	<b>(150,000)</b>	<b>1.78</b>
Outstanding at June 30, 2023	<b>11,060,000</b>	<b>1.79</b>
Exercisable at June 30, 2023	<b>9,776,667</b>	<b>1.76</b>

Share options outstanding and exercisable at June 30, 2023, 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	2,150,000	0.40	1.27	2,150,000	0.40	1.27
0.42	250,000	0.42	1.61	250,000	0.42	1.61
0.95	3,100,000	0.95	1.96	3,100,000	0.95	1.96
1.30	700,000	1.30	2.00	700,000	1.30	2.00
1.65	300,000	1.65	2.26	300,000	1.65	2.26
1.92	400,000	1.92	2.09	400,000	1.92	2.09
1.97	700,000	1.97	4.62	-	1.97	4.62
2.05	875,000	2.05	4.13	291,667	2.05	4.13
3.53	400,000	3.53	3.75	400,000	3.53	3.75
4.18	2,185,000	4.18	3.24	2,185,000	4.18	3.24
	<b>11,060,000</b>	<b>1.79</b>	<b>2.49</b>	<b>9,776,667</b>	<b>1.76</b>	<b>2.24</b>

The fair value of stock options recognized during the six months ended June 30, 2023, as an expense was \$965,823 (six months ended June 30, 2022 - \$2,428,719).

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The following are the weighted average assumptions used for the Black-Scholes option pricing model valuation of share options granted during the six months ended June 30, 2023 and 2022:

	<b>Six months ended</b>	
	<b>June 30, 2023</b>	June 30, 2022
Risk-free interest rate	<b>3.27%</b>	2.45%
Expected life of options	<b>5 years</b>	5 years
Annualized volatility	<b>70.0%</b>	86.0%
Forfeiture rate	-	-
Dividend rate	-	-
Weighted average grant-date fair value per option	<b>\$1.13</b>	\$2.41

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.

**e) Restricted share units**

The Company has a restricted share unit ("RSU") plan by which the directors may grant RSUs to acquire common shares to directors, officers, and employees of the Company on terms that the directors may determine within the limitations set forth in the RSU plan. The maximum number of common shares issuable upon the vesting of RSUs granted pursuant to the RSU plan combined with other share-based compensation arrangements is set at 10% of the total issued common shares. The board of directors may grant RSUs with a life of up to ten years. Vesting terms may be set by the board of directors.

During the year ended December 31, 2022, the Company granted 400,000 RSUs to an officer of the Company with a fair market value of \$820,000. The RSUs vest in equal tranches on the first, second and third anniversary of the grant approval date. After the first anniversary, if the Company's share price reaches a 30-day VWAP of \$3.00 for the second third of unvested RSUs and \$4.00 for the final third of unvested RSUs then the remaining vesting shall be accelerated and the respective RSUs shall become vested on the last day of the appropriate 30-day period. No RSUs were granted during the six months ended June 30, 2023.

	Number of RSUs
Outstanding at December 31, 2022	400,000
Granted	-
Outstanding at June 30, 2023	<b>400,000</b>

The fair value of the RSUs recognized during the six months ended June 30, 2023, included in share-based compensation expense was \$248,362 (six months ended June 30, 2022 - \$nil).

**f) Deferred share units**

The Company has a deferred share unit ("DSU") plan by which the directors may grant DSUs to acquire common shares to directors, officers, and employees of the Company on terms that the directors may determine within the limitations set forth in the DSU plan. The maximum number of common shares issuable upon the vesting of DSUs granted pursuant to the DSU plan combined with other share-based compensation arrangements is set at 10% of the total issued common shares. The board of directors may grant DSUs with a life of up to ten years. Vesting terms may be set by the board of directors.

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During the six months ended June 30, 2023, the Company granted 307,838 DSUs to directors of the Company with a fair market value of \$584,892. The DSUs vest in twelve months.

	Number of DSUs
Outstanding at December 31, 2022	-
Granted	307,838
Outstanding at June 30, 2023	<b>307,838</b>

The fair value of the DSUs recognized during the six months ended June 30, 2023, included in share-based compensation expense was \$219,535 (six months ended June 30, 2022 - \$nil).

**9. 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:

	Six months ended	
	June 30, 2023	June 30, 2022
Salaries, personnel and benefits <sup>(1)</sup>	\$ 692,696	\$ 586,758
Directors fees	137,500	127,888
Consulting fees	32,415	31,933
Share-based compensation	1,227,061	1,601,585
	<b>\$ 2,089,672</b>	<b>\$ 2,348,164</b>

<sup>(1)</sup> Salaries, personnel and benefits includes salaries of \$150,000 (six months ended June 30, 2022 - \$120,000) included in exploration and evaluation expenditures (note 6b).

Trade payables and accruals include \$13,963 (December 31, 2022 - \$268,327) owed to directors and officers of the Company.

**10. Segmented information**

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. At June 30, 2023 and December 31, 2022, all exploration and evaluation asset and property and equipment were located in Canada and Mexico.

	June 30, 2023	December 31, 2022
Canada	\$ 163,269	\$ 189,832
Mexico	12,952,538	13,011,690
	<b>\$ 13,115,807</b>	<b>\$ 13,201,522</b>

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**11. 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 June 30, 2023, 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.

Non-current value added tax receivable consists of a tax payment relating to the Los Reyes project acquisition paid by the Company in Mexico. Such VAT payments are considered to be refundable from the Mexican government, however it involves a complex application process, and the timing and success of collection is uncertain.

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

**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 June 30, 2023, 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>June 30, 2023</b>	December 31, 2022
US dollar	\$ (107,070)	\$ (107,820)
Mexican peso	\$ 77,317	\$ 88,757

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

	<b>June 30, 2023</b>	December 31, 2022
Cash	\$ 181,011	\$ 121,360
VAT receivable	821,793	884,805
Payables and accruals	542,655	440,200
Long-term payable	\$ 739,614	\$ 756,596



**PRIME MINING CORP.**

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**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 market data (unobservable inputs).

The carrying value of receivables and trade payables and accruals approximates their fair value due to the relatively current nature of those financial instruments. Long-term payable is carried at amortized cost and reflect the fair value of the instrument as the carrying value reflects the payout of the instrument as at the reporting date. The carrying value of the Company's lease liabilities is measured at the present value of the discounted future cash flows.