



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended
June 30, 2022 and July 31, 2021

PRIME MINING CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2022 and July 31, 2021

(In Canadian dollars, except where noted)

The following is management's discussion and analysis ("MD&A") of Prime Mining Corp. together with its wholly owned subsidiaries (the "Company" or "Prime"), is prepared as of August 12, 2022, and relates to the financial condition and results of operations for the three and six months ended June 30, 2022 and July 31, 2021. Past performance may not be indicative of future performance. This MD&A should be read in conjunction with the condensed interim consolidated financial statements ("interim financial statements") and related notes for the three and six months ended June 30, 2022 and July 31, 2021, which have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting using accounting consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). As such, the interim financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the eight months ended December 31, 2021 and year ended April 30, 2021 ("annual financial statements").

During the eight months ended December 31, 2021, the Company changed its fiscal year end from April 30 to December 31. The comparative period is the three and six months ended July 31, 2021 which are also referred to as "prior year quarter" and "prior period," respectively. All amounts are presented in Canadian dollars, the Company's presentation currency, unless otherwise stated. References to "US\$" and "MXN" are to United States dollars and Mexican pesos, respectively.

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

OVERVIEW OF THE BUSINESS

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

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

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

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

During the six months ended June 30, 2022, the Company has seen progress in all three areas with continued emphasis on operating under appropriate covid-19 guidelines, strengthened exploration team performance and advances in our corporate administration.

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Los Reyes Gold and Silver Project

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

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

COVID-19

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

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

HIGHLIGHTS AND KEY DEVELOPMENTS**Los Reyes Project**

The Phase 2 drill program commenced November 1, 2021. As of August 11, 2022, the Company had drilled 63,716 m in 224 core drill holes in the Phase 2 drill program and up to eight core drills and one reverse circulation drill were in operation. Currently, five core drills are in operation in the extended Phase 2 program. Refer to the Outlook section below for details pertaining to the objectives of the Phase 2 drill program.

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Exploration activities during the three months ended June 30, 2022

In April 2022, the Company reported drill results from 26 drill holes into Guadalupe East deposit. Drill hole 22GE-32 intercepted high-grade gold-silver (52.0 grams per tonne ("gpt") gold ("Au") and 1,007.6 gpt silver ("Ag") over 4.3 m (4.0 m estimated true width ("etw")) at the intersection of multiple mineralized structures higher up in the Estaca Vein system. Initial modelling suggests this may be a bonanza-grade plunging body (locally known as a clavo) the second such structure now encountered at Guadalupe East. Hole 22GE-33, previously released March 8, 2022, struck a 41.6 m-long, high-grade mineralized intercept also located at intersecting multiple mineralized structures. With continued drilling, these plunging ore shoots and clavos, are being modelled and targeted for drilling.

Drill hole 22GE-32 also intersected a second zone of bonanza-grade mineralization (7.62 gpt Au and 1,970 gpt Ag over 1.5 m (0.6 m etw)) at 500 m below surface (502 metres above sea level ("masl")), representing the deepest mineralization intersected to date at Guadalupe East. Other drill intercepts into the Estaca structure and disseminated to the public include drill hole 22GE-38 which returned 1.38 gpt Au and 39.5 gpt Ag over 19.5 m (18.3 m etw) plus 1.12 gpt Au and 38.3 gpt Ag over 15.0 m (14.1 m etw). Drill holes 22GE-43 and 47 returned 4.09 gpt Au and 102.6 gpt Ag over 2.6 m (2.5 m etw) and 1.47 gpt Au and 40.4 gpt Ag over 7.5 m (7.5 m etw), respectively.

Drill holes also intersected the San Nicolas and San Manuel Veins. Both San Nicolas and San Manuel are largely untested by current and historical drilling. Drill holes 21GE-21, 21GE-22, 21GE-24, 21GE-25, 21GE-26, 21GE-31, 22GE-42 intercepted the San Nicolas vein. Results include: 3.72 gpt Au and 370.0 gpt Ag over 3.0 m (1.9 m etw) plus 1.57 gpt Au and 2.5 gpt Ag over 1.5 m (1.0 m etw) plus 1.19 gpt Au and 9.1 gpt Ag over 1.0 m (0.6 m etw) in drill hole 22GE-42); 1.38 gpt Au and 63.1 gpt Ag over 4.9 m (2.8 m etw) in 22GE-31, 1.01 gpt Au and 4.7 gpt Ag over 2.8 m (2.4 m etw) plus 1.87 gpt Au and 6.9 gpt Ag over 1.5 m (1.3 m etw) (21GE-21); and 1.42 gpt Au and 2.3 gpt Ag over 1.0 m (0.9 m etw) (21GE-26). The San Nicolas vein lies directly within the footwall of the Estaca Vein, and outcrops in the shallowest portions of the northeast boundary of the April 2020 pit-constrained resource.

In May 2022, the Company reported drill results from 17 drill holes from the northern extension of the Zapote-Tahonitas structure. Two of the 17 holes are the final Phase 2 results for Mariposa and the other 15 new drill holes are from Zapote North. This drilling is targeting the expansion of the Zapote North deposit northwards along the structure and confirming the continuity of mineralization of Mariposa to the south. These holes confirm that gold-silver mineralization extends from Zapote North to Mariposa. Drill results from north of the current pit constrained resource include 4.81 gpt Au and 17.2 gpt Ag over 2.4 m (1.7 m etw) from 22ZAP-56, 3.83 gpt Au and 13.9 gpt Ag over 1.5 m (1.4 m etw) from 22ZAP-67R and 1.40 gpt Au, 13.8 gpt Ag over 8.7 m (8.2 m etw) from 22ZAP-59 and 1.42 gpt Au and 28.3 gpt Ag over 6.1m (5.0 m etw) from 22ZAP-69R. A hole into the central part of the Zapote North deposit to confirm historic drill Au results and collect not-previously analyzed for Ag values returned 2.42 gpt Au and 24.5 gpt Ag over 10.7 m (9.7 m etw) from 22ZAP-66R.

The two drill holes into the Mariposa deposit returned 1.10 gpt Au and 11.0 gpt Ag over 11.8 m (8.3 m etw) plus 7.1 m (5.4 m etw) at 0.99 gpt Au and 9.2 gpt Ag from 22MA-08 and 1.51 gpt Au and 14.7 gpt Ag over 4.5 m (2.9 m etw) from 22MA-09.

In June 2022, the Company reported drill results from 12 drill holes at the Guadalupe East deposit. Ten of the holes successfully intersected the main Estaca Vein system. Six drill holes intersected high-grade gold and silver mineralization below the current pit-constrained resource, while four holes were widely spaced step outs and drilled to the east of the pit-constrained resource (one hole was abandoned at 30 m due to technical issues and redrilled with slight change to direction and dip). All holes intercepted the high-grade Estaca epithermal vein with 22GE-48 and 53 each intercepting a vein group within the Estaca zone within and 50 m below the pit-constrained resource.

The six drill holes with high-grade mineralized intercepts below the pit-constrained resource limits demonstrate strong potential for near-pit resource expansion. The main intercepts in drill hole 22GE-53 started 50 m below the pit-constrained resource and encountered old workings. It had a 11.2 m interval (474 to 485.2 m) that included 5.3

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m of high-grade mineralization (no waste intervals) and 3 different stopes/workings totaling 5.0 m, with backfill encountered in the first stope/working that returned 13.7 gpt over 1.7 m. Five drill holes were drilled 250 to 600 m east of the boundary of the pit-constrained resource and up to 200 m east of the nearest drill intersection.

Also in June 2022, the Company reported 20 drill holes from the Tahonitas deposit along the southern extension of the ZT structure. Following improvement to the access into the Tahonitas deposit area, Phase 2 drilling has continued to successfully identify shallow near surface mineralization as well as deeper mineralization down to 450 metres above sea level as in 22TA-31 where the deepest intercept was over 200 m below the previously reported pit-constrained resource. Drilling has continued to test the mineralized structure to connect the pit-constrained resource of Tahonitas to the north with the Zapote South deposit, as well as further testing of Tahonitas at depth. Additional road access is planned to be completed after the current rain season as drilling will continue to step out to the southeast following along strike the structure and open mineralization encountered to date.

The Phase 2 drill program was expected to continue until the start of the rainy season in June 2022, however, based on a result of greater efficiencies and operational successes, the current Phase 2 program, originally planned at 50,000 m, is going to be significantly expanded and will continue through to the start of Phase 3 drilling beginning November 1st, 2022.

Exploration activities subsequent to June 30, 2022

In July 2022, the Company reported results from eight drill holes at the San Miguel East deposit, which were drilled down dip of the known structure at depth. All eight encountered mineralization with seven of the eight extending mineralization beyond the current historic resource. The southernmost hole, 22SME-11, with an 18-metre intercept returning 2.72 gpt Au and 129.8 gpt Ag (16.9 m etw), was intersected outside the previously reported pit-constrained resource. The deposit is open along strike to the southeast from this drill hole with potential to expand the San Miguel East deposit and connect it with the nearby Noche Buena deposit.

News releases with supporting technical data

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

- *"Prime Reports New High Grade Step-Out Results from Guadalupe East"* dated April 12, 2022.
- *"Prime Intercepts 10.7 Metres of 2.42 gpt Au and 24.5 gpt Ag and 26 Metres of 1.07 gpt Au and 20.3 gpt Ag in Zapote North"* dated May 2, 2022.
- *"Prime Intercepts 6.1 gpt Au and 104 gpt Ag over 3.4 Metres in Step-Out Drilling at Tahonitas – Phase 2 Program Expanded"* dated June 29, 2022.
- *"Prime Intercepts 2.7 gpt Au and 130 gpt Ag over 18 Metres in Step-Out Drilling at San Miguel East"* dated July 18, 2022.

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Expenditures

Project expenditures during the three and six months ended June 30, 2022 and July 31, 2021, are summarized as follows:

	Three months ended		Six months ended	
	June 30, 2022	July 31, 2021	June 30, 2022	July 31, 2021
Drilling	\$ 3,127,646	\$ 1,580,107	\$ 5,642,212	\$ 2,853,237
Salaries and personnel	768,196	408,707	1,444,702	838,024
Resource estimation and technical services	819,660	402,601	1,683,171	958,071
Equipment and field supplies	608,797	207,174	983,823	270,989
Land payments and maintenance	63,700	69,862	137,302	78,207
General and administrative	(456)	135,589	95,693	156,940
Value added tax	770,247	413,106	1,478,549	708,178
	\$ 6,157,790	\$ 3,217,146	\$ 11,465,452	\$ 5,863,646

Three months ended June 30, 2022 compared to the three months ended July 31, 2021

Drilling increased to \$3,127,646 compared to \$1,580,107 during the prior year quarter. During the current quarter additional drill rigs were operating at the Los Reyes Project. Additionally, more metres were drilled compared to the prior year quarter.

Salaries and personnel increased to \$768,196 compared to \$408,707 during the prior year quarter. Additional employees and contractors were engaged to advance the Los Reyes Project.

Resource and estimation and technical services increased to \$819,660 compared to \$402,601 during the prior year quarter. Following the commencement of the Phase 2 drill program more technical advisory and laboratory expenditures were incurred. Additionally, more metallurgical testing was completed.

Equipment and field supplies increased to \$608,797 compared to \$207,174 during the prior year quarter. The increase is due to increased employees and activities at the Los Reyes Project.

Six months ended June 30, 2022 compared to the six months ended July 31, 2021

Drilling increased to \$5,642,212 compared to \$2,853,237 during the prior period. During the current period additional drill rigs were operating at the Los Reyes Project. Additionally, more metres were drilled compared to the prior period.

Salaries and personnel increased to \$1,444,702 compared to \$838,024 during the prior period. Additional employees and contractors were engaged to advance the Los Reyes Project. Additionally, the Company added more senior management for their technical expertise and project management capabilities.

Resource and estimation and technical services increased to \$1,683,171 compared to \$958,071 during the prior period. Following the commencement of the Phase 2 drill program more technical advisory and laboratory expenditures were incurred. Additionally, more metallurgical testing was completed.

Equipment and field supplies increased to \$983,823 compared to \$270,989 during the prior period. The increase is due to increased employees and activities at the Los Reyes Project.

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Project expenditures since acquisition, are summarized as follows:

	Total
Drilling	\$ 11,016,628
Salaries and personnel	4,609,593
Resource estimation and technical services	3,876,933
Equipment and field supplies	2,059,882
Land payments and maintenance	590,464
General and administrative	734,037
Value added tax	3,023,781
	\$ 25,911,318

Resource estimate

In August 2019, Prime initiated a major surface mapping, outcrop trenching, and chip sampling program over eight known gold-silver deposits at Los Reyes. On April 2, 2020, Prime announced an updated pit constrained mineral resource estimate ("Updated Resource"), prepared by Stantec Consulting Ltd. ("Stantec") for the Los Reyes Project. The new pit constrained resource (at 0.22 g/t Au cut-off) comprised 19.8 million tonnes measured and indicated resources (633,000 ounces contained gold at 1.00 g/t and 16.6 million ounces contained silver at 26.2 g/t) and an additional 7.1 million tonnes (179,000 ounces contained gold at 0.78 g/t and 7.8 million ounces contained silver at 29.9 g/t) of inferred material. The updated resource estimate increased the total oxide material and upgraded the material to higher estimation categories.

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

Refer to "Stantec, Technical Report, Los Reyes Property, Sinaloa, Mexico, report date April 2, 2020", dated effective March 24, 2020 and published on SEDAR for complete details regarding the Updated Resource.

Corporate**Warrants**

During June 2022, the Company entered into a consulting agreement pursuant to which it agreed to issue 1,000,000 warrants with a three-year term at an exercise price of \$3.00 per common share. The Company is awaiting approval of the TSX Venture Exchange to issue the warrants. The consulting agreement includes a one percent financing fee connected to any financing where the consultants provide services to obtain funds.

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OUTLOOK

The Phase 2 drill program commenced November 1, 2021 with a planned minimum 50,000 m in over 250 drill holes. As a result of greater efficiencies and operational successes, the Company is expanding the Phase 2 drill program to include up to 70,000 m in approximately 360 drill holes. Phase 2 will utilize a combination of up to eight core drills and up to three reverse circulation drills. Reverse circulation rigs will be used, where infrastructure permits, to accelerate the rate of in-fill drilling and resource definition. Permitting activities continue for construction of Phase 3 roads and drill pads.

Phase 2 – Principal Objectives

1. Expanding resources along the three main corridors of known open-pit mineralization, following up on previously reported high-grade areas in Phase 1:
 - Guadalupe Structure – drilling will target new areas of bonanza-grade mineralization, including significant step-out drill holes to the southeast;
 - Z-T Structure – will be drilled to connect deposits and to expand higher-grade areas to depth; and,
 - Central Zone Structure – including San Miguel West, San Miguel East and Noche Buena, will test the individual deposits to expand them to collectively form larger pits as well as to assess the depth potential in this under-explored area.

2. Complete first pass testing of newly developed targets:
 - Last year's technical program led to the development of several high potential targets within an approximate 5 km radius of the main mineralized corridors at Los Reyes;
 - Drill testing will include high priority targets Mina 20/21, Mariposa, Las Primas, Fresnillo, El Tule and others on the two parallel El Orito trends: and,

3. Resume surface mapping and sampling:
 - Phase 1 prospecting, mapping, and sampling that led to the development of new targets will continue in Phase 2.

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QUARTERLY RESULTS**Quarterly results**

	Three months ended		Two months	Three months
	June 30, 2022	March 31, 2022	ended December 31, 2021	ended October 31, 2021
Loss for the period	\$ (7,063,916)	\$ (8,038,370)	\$ (4,650,295)	\$ (5,600,423)
Loss per share – basic and diluted	(0.06)	(0.07)	(0.04)	(0.05)
Total assets	28,552,940	35,954,314	41,785,376	43,961,419
Total non-current liabilities	864,379	1,096,245	1,098,326	923,861
Cash balance	14,441,284	21,535,820	27,413,707	29,848,024
Working capital	\$ 13,690,114	\$ 20,335,912	\$ 26,232,817	\$ 29,581,634

	Three months ended			
	July 31, 2021	April 30, 2021	January 31, 2021	October 31, 2020
Loss for the period	\$ (4,046,624)	\$ (3,324,739)	\$ (2,157,865)	\$ (2,548,756)
Loss per share – basic and diluted	(0.04)	(0.04)	(0.03)	(0.03)
Total assets	43,961,262	44,791,540	14,043,787	20,367,568
Total non-current liabilities	930,746	918,618	956,522	1,012,702
Cash balance	29,945,079	32,026,806	5,840,853	7,678,959
Working capital	\$ 29,582,724	\$ 31,369,510	\$ 5,598,102	\$ 7,368,744

Review of Consolidated Financial Information for three months ended June 30, 2022 compared to the three months ended July 31, 2021

Loss for the Company was \$7,063,916 (\$0.06 per share) compared to \$4,046,624 (\$0.04 per share) during the three months ended July 31, 2021, as a result of the following factors:

General and administrative expense

General and administrative expenses decreased to \$928,598 compared to \$1,017,811 during the prior year quarter. The significant cash components of these expenses include salaries and personnel, consulting and professional fees and investor relations.

Salaries and personnel increased to \$315,261 compared to \$279,041 during the prior year quarter, as a result of adjustments to salaries paid to senior management.

Consulting and professional fees include legal, accounting, capital and strategic advisors. The current and prior year quarter expenses are consistent, with an increase of \$27,641, as there has not been any substantial change in the services provided to the Company.

Office and other include office, travel, insurance and regulatory expenses. The expenses increased to \$110,054 compared to \$69,169, as a result of increased travel and regulatory fees related to change in year end.

The significant non-cash component of these expenses includes share-based compensation, which was \$366,733 compared to \$592,049 during the prior year quarter. The decrease is a result of the forfeiture of options during the current quarter.

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Exploration and evaluation

Exploration and evaluation expense was \$6,157,790 compared to \$3,217,146 during the prior year quarter. Refer to the *Highlights and Key Developments* section above.

Foreign exchange

Foreign exchange represents changes in the value of monetary assets and liabilities denominated in foreign currencies. During the three months ended June 30, 2022, the Company reduced US dollar holdings resulting in limited gains on foreign exchange.

Review of Consolidated Financial Information for the six months ended June 30, 2022 compared to the six months ended July 31, 2021

Loss for the Company was \$15,102,286 (\$0.13 per share) compared to \$7,371,363 (\$0.08 per share) during the six months ended July 31, 2021, as a result of the following factors:

General and administrative expense

General and administrative expenses increased to \$3,659,268 compared to \$1,874,561 during the prior period. The significant cash components of these expenses include salaries and personnel, consulting and professional fees and investor relations.

Salaries and personnel increased to \$630,766 compared to \$623,340 during the prior period, as a result of an adjustment to senior management salaries, offset by, a reduction in bonuses paid.

Consulting and professional fees include legal, accounting, capital and strategic advisors. The current and prior period expenses are consistent, with an increase of \$84,180, as there has not been any substantial change in the services provided to the Company.

Office and other include office, travel, insurance and regulatory expenses. The expenses increased to \$276,603 compared to \$105,432, as a result of increased travel and regulatory fees related to change in year end.

The significant non-cash component of these expenses includes share-based compensation, which was \$2,428,719 compared to \$963,327 during the prior period. The increase is a result of granting 400,000 share options at a weighted average grant-date fair value of \$2.41. Additionally, share options granted during September 2021 continued to vest and expense was incurred.

Exploration and evaluation

Exploration and evaluation expense was \$11,465,452 compared to \$5,863,646 during the prior period. Refer to the *Highlights and Key Developments* section above.

Foreign exchange

Foreign exchange represents changes in the value of monetary assets and liabilities denominated in foreign currencies. During the six months ended June 30, 2022, the Company reduced US dollar holdings resulting in limited gains on foreign exchange.

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Significant Quarterly Variations

- Quarter ended October 31, 2020 - The Company increased the senior management team and awarded stock options recognizing share-based compensation of \$1,085,539. Additionally, exploration and evaluation expenses of \$892,290 were incurred at the Los Reyes Project.
- Quarter ended January 31, 2021 - The Company incurred additional share-based compensation expense of \$737,900 related to the vesting of options. Additionally, exploration and evaluation expenses of \$1,104,323 were incurred at the Los Reyes Project.
- Quarter ended April 30, 2021 - The Company incurred additional share-based compensation expense of \$371,278 related to the vesting of options. Additionally, exploration and evaluation expenses of \$2,646,500 were incurred at the Los Reyes Project.
- Quarter ended July 31, 2021 - The Company incurred exploration and evaluation expenditures of \$3,217,146 at the Los Reyes Project.
- Quarter ended October 31, 2021 - The Company incurred additional share-based compensation expense of \$2,499,230 related to the granting and vesting of options. Additionally, exploration and evaluation expenses of \$2,546,452 were incurred at the Los Reyes Project.
- Two months ended December 31, 2021 - The Company incurred additional share-based compensation expense of \$1,290,232 related to the granting and vesting of options. Additionally, exploration and evaluation expenses of \$2,540,714 were incurred at the Los Reyes Project.
- Quarter ended March 31, 2022 - The Company incurred additional share-based compensation expense of \$2,061,986 related to the granting and vesting of options. Additionally, exploration and evaluation expenses of \$5,307,662 were incurred at the Los Reyes Project.
- Quarter ended June 30, 2022 - The Company incurred additional salaries and personnel expense of \$315,261 related to normal operations. Additionally, exploration and evaluation expenses of \$6,157,790 were incurred at the Los Reyes Project.

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Cash flows

	June 30, 2022	Six months ended July 31, 2021
Cash used in operating activities	\$ (13,001,492)	\$ (6,328,634)
Cash provided by financing activities	100,937	31,833,409
Cash used in investing activities	(71,868)	(1,400,549)
(Decrease) increase in cash	(12,972,423)	24,104,226
Cash, beginning of period	27,413,707	5,840,853
Cash, end of period	\$ 14,441,284	\$ 29,945,079

Operating activities

During the six months ended June 30, 2022, salaries and personnel expenditures of \$630,766 were incurred by the Company which is a significant portion of the operating expenditures. There was office rent and administrative expenditures of \$276,603. Legal and accounting expenditures of \$205,200 were also incurred. Additional expenditures of \$11,465,452 were incurred relating to Los Reyes Project.

During the six months ended July 31, 2021, salaries and personnel expenditures of \$623,340 were incurred by the Company which is a significant portion of the operating expenditures. There were office rent and administrative expenditures of \$105,432. Legal and accounting expenditures of \$121,020 were also incurred. Additional expenditures of \$5,863,646 were incurred relating to Los Reyes Project.

Financing activities

During the six months ended June 30, 2022, the Company had the following significant financing activities:

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

During the six months ended July 31, 2021, the Company had the following significant financing activities:

- Completed a bought deal private placement resulting in net proceeds of \$26,767,705.
- Issued 7,793,345 common shares for gross proceeds of \$4,430,672 upon exercise of warrants.
- Issued 675,000 common shares for gross proceeds of \$313,400 upon exercise of options.

Investing activities

Equipment purchases decreased to \$129,816 compared to \$185,400 during the prior period.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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(In Canadian dollars, except where noted)

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

At June 30, 2022, the Company had working capital of \$13,690,114 including cash of \$14,441,284, compared to a working capital of \$26,232,817 at December 31, 2021. Accounts payable and accruals decreased to \$879,473 compared to \$1,325,936, at December 31, 2021, due to increased exploration activities, offset by decreased bonus accruals. The long-term payable of \$719,839 requires payment when the value added tax receivable of \$799,821 is refunded.

At June 30, 2022, the Company has the following capital resource commitments:

- The Company must undertake exploration and make cash progress payments to maintain its exploration property rights.
- The Company is committed to make payments under property and equipment leases totalling \$220,255 through 2027.

RELATED PARTY TRANSACTIONS

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

Key management compensation includes:

	Six months ended	
	June 30,	July 31,
	2022	2021
Salaries, personnel and benefits	\$ 586,758	\$ 576,900
Directors fees	127,888	97,500
Consulting fees	31,933	-
Share-based compensation	1,601,585	624,101
	\$ 2,348,164	\$ 1,298,501

Trade payables and accruals include \$nil (December 31, 2021 - \$593,070) owed to directors and officers of the Company in connection to accrued salaries and benefits.

OUTSTANDING SHARE DATA

At August 12, 2022, the Company had the following equity securities outstanding:

	Authorized	Outstanding
Equity securities – voting	Unlimited common shares	112,693,205 common shares
Stock options - convertible to voting common shares	Stock options to acquire up to 10% of the outstanding common shares	Stock options to acquire 9,885,000 common shares
Warrants convertible to voting common shares		Warrants to acquire 24,403,125 common shares

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SIGNIFICANT ACCOUNTING POLICIES

The condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), effective as of June 30, 2022. The Company's significant accounting policies are described in note 3 of the Company's annual financial statements.

CHANGES IN ACCOUNTING POLICIES

The accounting policies applied in the preparation of the Company's condensed interim consolidated financial statements for the three and six months ended June 30, 2022 and July 31, 2021, are consistent with those applied and disclosed in the Company's annual financial statements.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

At June 30, 2022, and the date hereof, the Company had no proposed transaction.

RISKS AND UNCERTAINTIES

For a detailed listing of the risk factors faced by the Company, please refer to the Company's Annual Information Form for the eight months ended December 31, 2021 and year ended April 30, 2021.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

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

QUALIFIED PERSON

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