



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the year ended December 31, 2022,  
the eight months ended December 31, 2021  
and the year ended April 30, 2021

## **PRIME MINING CORP.**

### Management's Discussion and Analysis

For the year ended December 31, 2022, the eight months ended December 31, 2021  
and the year ended April 30, 2021

(In Canadian dollars, except where noted)

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*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 April 4, 2023, and relates to the financial condition and results of operations for the year ended December 31, 2022, the eight months ended December 31, 2021, and the year ended April 30, 2021. Past performance may not be indicative of future performance. This MD&A should be read in conjunction with the audited consolidated financial statements ("consolidated financial statements") and related notes for the year ended December 31, 2022, the eight months ended December 31, 2021, and the year ended April 30, 2021, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").*

*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 three months ended December 31, 2021 is also referred to as "prior year quarter." The year ended December 31, 2022, and the eight months ended December 31, 2021, are also referred to as "current year" 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**

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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 year ended December 31, 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**

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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**

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#### **Los Reyes Project**

The Phase 2 drill program commenced November 1, 2021. The Company had drilled 74,216 m in 259 core and reverse circulation drill holes in the Phase 2 drill program and up to eight core drills and one reverse circulation drill had been in operation.

The Phase 3 drill program commenced November 1, 2022. Currently, five core drills are in operation.

Refer to the *Outlook* section below for details pertaining to the achieved objectives of the Phase 2 drill program and planned objectives of the Phase 3 drill program.

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### **Exploration activities during the three months ended March 31, 2022**

Following the Christmas break, the Company reported drill results from 13 new core holes at Noche Buena of the 24 holes completed as part of the Company's Phase 1 exploration drilling with 11 holes previously reported. All 13 holes encountered potentially economic open pit grade mineralization. At Noche Buena, historic drilling encountered mineralization at depths of 150 m below surface to an elevation of predominantly 625 metres above sea level ("masl"). Phase 1 drilling has now intercepted potentially economic gold-silver mineralization down to 550 masl.

The Noche Buena portion of the Central Structure has now been tested and mineralization identified along approximately 600 m of its known 1,000 m strike length. The structure remains open along strike and at depth both to the northwest and the southeast. Phase 2 drilling is planned to test extensions to the northwest towards San Miguel, where there is strong potential to join the two deposits, and to the southeast where the structure has been traced in surface mapping. The Noche Buena holes were mostly step out holes from previous drill holes. Drill hole 21NB-22 returned 3.16 grams per tonne ("gpt") gpt gold ("Au") and 74.5 gpt silver ("Ag") over 3.0 m (2.7 m estimated true width ("etw")), plus 3.49 gpt Au and 82.4 gpt Ag over 1.0 m (0.9 m etw) contained within a 26.9 m (24.3 m etw) zone grading 0.91 gpt Au and 44.5 gpt Ag. Drill hole 21NB-23 returned 4.75 gpt Au and 109.7 gpt Ag over 3.8 m (3.8 m etw) plus 4.83 gpt Au and 250.5 gpt Ag over 3.0 m (3.0 m etw) contained within a 19.7 m (19.7 m etw) zone grading 1.89 gpt Au and 75.8 gpt Ag. Drill hole 21NB-21 returned 2.92 gpt Au and 24.3 gpt Ag over 14.8 m (12.8 m etw) plus 1.09 gpt Au and 65.6 gpt Ag over 5.0 m (4.3 m etw) and drill hole 21NB-17 returned 4.38 Au and 7.6 gpt Ag over 2.4 m (2.2 m etw) within a 13.2 m (12.0 m etw) zone grading 1.27 gpt Au and 12.65 gpt Ag.

In February of 2022, the Company reported results from 17 new Phase 1 core holes from the Company's exploration program targeting the northern extension of the Zapote-Tahonitas structure ("Z-T Structure"). Seven of the 17 core holes are near the historical underground Mariposa Mine and the other 10 new core holes are from Zapote North in a previously untested mineralized gap between Zapote North and Mariposa. These holes confirm that gold-silver mineralization extends from Zapote North to Mariposa, increasing the total length of the gold-silver mineralized Z-T Structure by 450 m to approximately 3.0 km.

Drilling near the historic Mariposa mine returned 4.89 gpt Au and 22.2 gpt Ag over 35.3 m (34.7 m etw) including 23.13 g/t Au and 61.4 g/t Ag over 2.9 m (2.9 m etw) and 41.50 g/t Au and 40.4 g/t Ag over 1.5 m (1.5 m etw) plus 1.08 gpt Au and 18.4 gpt Ag over 2.4 m (2.3 m etw) from drill hole 21MA-06. Drill hole 21MA-01 returned 1.34 gpt Au and 24.5 gpt Ag over 16.7 m (12.8 m etw) including 3.22 g/t Au and 36.2 g/t Ag over 2.5 m (1.9 m etw) and 1.27 g/t Au and 5.8 g/t Ag over 1.4 m (1.0 m etw). Another highlight is 21MA-03 that returned 3.06 gpt Au and 30.2 gpt Ag over 1.5 m (1.5 m etw). Step out drilling to the north of the Zapote North deposit confirms that the structure is mineralized with 21ZAP-28 returning 1.29 gpt Au and 25.7 gpt Ag over 10.5 m (7.4 m etw), including 4.93 gpt Au and 42.3 gpt Ag over 0.8 m (0.5 m etw) and 2.74 gpt Au and 40.5 gpt Ag over 1.9 m (1.3 m etw) and 21ZAP-39 returning 1.00 gpt Au and 5.6 gpt Ag over 12.0 m (10.4 m etw).

Also in February of 2022, the Company reported results of 12 new drill holes from its first drill program at the Guadalupe West deposit. Results indicate that the deposit remains open at depth as demonstrated by drill hole 21GW-12R (1.68 gpt Au and 25.8 gpt Ag over 19.8 m etw) and 21GW-03 (33.6 m (23.7 etw) at 0.38 gpt Au and 23.6 gpt Ag). Additionally, a new mineralized zone, was intersected in holes 21GW-11R and 21GW-12R south of the main structure. The limited drilling completed to-date suggests that the new mineralized zone is near-vertical with a minor dip to the north and may connect to the main structure at depth. Drill hole 21GW-11R also indicates that the deposit remains open to the west. Drill hole 21GW-07 tested below previously reported trenching and above historic drilling in what appears to be a higher-grade area of the deposit. The structure is open along strike to the west and east and potentially at depth.

The Company also provided an update of ongoing drilling at the Guadalupe East deposit where four core drills are testing the strike and depth extension of potential open pit and underground resources at Estaca and open pit

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resources on the San Manuel and San Nicholas veins. Drilling is focused on gaining an improved understanding of the potentially high-grade boiling zone controls of mineralization and the relative geometries of the Estaca, San Manuel, San Nicholas and other ancillary veins within this complex structural setting.

In March 2022, the Company reported results from one drill hole at Guadalupe East. Drill hole 22GE-33 intersected a 41.6 m mineralized intercept within the high-grade Estaca vein that includes a 4.5 m cavity of a historic mining stope (old mine opening). A 1.5 m mineralized intercept in the hanging wall, the 4.5 m mining stope, and a 35.6 m etw mineralized interval in the footwall reveal that considerable mineralization remains in place despite previous small-scale underground mining of the high-grade Estaca structure. The initial 1.5 m interval returned 11.60 gpt Au and 219.0 gpt Ag over 1.5 m (1.2 m etw). The 35.6 m interval returned 3.67 gpt Au and 120.5 gpt Ag (29.2 m etw) including 6.57 gpt Au and 137.2 gpt Ag over 9.0 m (7.4 m etw) and including 8.39 gpt Au and 321.0 gpt Ag over 2.6 m (2.1 m etw).

Also in March 2022, the company reported 20 new drill holes from the Zapote South deposit, including 15 diamond drill and 5 reverse circulation ("RC") holes. Eleven of the holes represent final results of the Zapote South Phase 1 program and 9 holes from the ongoing Phase 2 program. Drilling results show that mineralization continues at depth below the previous drilling. Results include 2.38 gpt Au and 43.4 gpt Ag over 42.7 m (27.4 m etw) including 15.60 gpt Au and 181.2 gpt Ag over 1.53 m (1.0 m etw) and 7.5 gpt Au and 95.2 gpt Ag over 9.2 m (5.9 m etw) in drill hole 22ZAP-55R at the northern end of the Zapote South deposit. At the south end of the deposit, drill holes 21ZAP-32, 22ZAP-43 and 22ZAP-45 show the down-dip and southward extension of the deposit. 21ZAP-32 returned 1.09 gpt Au and 32.2 gpt Ag over 28.3 m (18.2 m etw), including 8.49 gpt Au and 51.7 gpt Ag over 0.7 m (0.4 m etw), 3.14 gpt Au, 45.0 gpt Ag over 4.7 m (3.0 m etw), and 7.80 gpt Au and 38.7 gpt Ag over 1.2 m (0.8 m etw). 22ZAP-43 returned 1.92 gpt Au and 42.3 gpt Ag over 7.50 m (5.3 m etw), including 3.26 gpt Au and 61.5 gpt Ag over 3.0 m (2.1 m etw). 22ZAP-45 returned 7.75 gpt Au and 56.8 gpt Ag over 8.0 m (5.8 m etw), including 12.52 gpt Au and 71.4 gpt Ag over 4.5 m (3.3 m etw) and 26.5 gpt Au and 127.0 gpt Ag over 1.5 m (1.1 m etw).

**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 gpt Au and 1,007.6 gpt Ag over 4.3 m (4.0 m 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 mas)), 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

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(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 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, was significantly expanded and planned to continue through to the start of Phase 3 drilling beginning November 1<sup>st</sup>, 2022.

**Exploration activities during the three months ended September 30, 2022**

During 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

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extending mineralization beyond the current historic resource. The southernmost hole, 22SME-11, which returned 2.72 gpt Au and 129.8 gpt Ag within an 18 m intercept (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.

In September 2022, the Company reported drill results from 42 in-fill and step-out drill holes in Guadalupe East area. In the northwest of Guadalupe East, 13 drill holes have encountered gold-silver mineralization, many with high-grade and multiple vein intercepts per hole. Additionally, in the southeast, 26 holes have intercepted the main Estaca vein system with several holes well beyond the limits of the current 2020 pit-constrained resource pit. Thirteen of the new holes released intersected mineralization in splays roughly perpendicular to the main vein systems.

Ten of these mineralized intercepts were outside the historic resource pit. Six of these ten drill holes intersected high-grade gold and silver mineralization below the current pit-constrained resource elevation. Four of the ten holes were step-out holes and covered over 300 metres of strike length to the east of the pit-constrained resource. Hole 22GE-68 encountered gold-silver mineralized down at 440 masl, the deepest mineralization yet encountered at Guadalupe which is still open at depth and along strike in both directions.

Examples of the mineralization from this drilling include drill hole 22GE-73 which returned 5.01 gpt Au and 328.1 gpt Ag over 3.7 (1.9 m etw); drill hole 22GE-72 which returned 1.65 gpt Au and 235.9 gpt Ag over 13.8 m (13.5 m etw), plus 0.95 gpt Au and 124.5 gpt Ag over 6.1 m (6.0 m etw), plus 2.52 gpt Au and 365.0 gpt Ag over 1.5 m etw; and 22GE-105 which returned 1.46 gpt Au and 56.3 gpt Ag over 21.1 m (14.4 m etw), plus 1.01 gpt Au and 67.2 gpt Ag over 1.6 m (1.5 m etw).

**Exploration activities during the three months ended December 31, 2022**

In October 2022, the Company reported results from 5 step-out drill holes at the southern end of the Z-T deposit. These drill holes were designed to demonstrate mineralization continuity between Zapote South and Tahonitas. Drilling continues to successfully delineate and expand open-pit resources and has identified additional potential for underground resources. Two new high-grade mineralized chutes have been discovered between the previously reported Zapote South and Tahonitas pit shells outlined in the Technical Report dated April 2, 2020. Both mineralized chutes are open for expansion down plunge.

Drill hole 22TA-39 returned 2.36 gpt Au and 177.8 gpt Ag over 20.5 m (13.2 m etw) and 0.91 gpt Au and 139.0 gpt Ag over 11.5 m (7.4 m etw) and 1.39 gpt Au and 12.7 gpt Ag over 6.0 m (3.9 m etw). Drill hole 22TA-32 returned 3.86 gpt Au and 88.5 gpt Ag over 11.2 m (5.6 m etw), including 9.24 gpt Au and 223.0 gpt Ag over 4.25 m (2.1 m etw), and 2.70 gpt Au and 333.04 gpt Ag over 1.5 m (0.8 m etw).

Additionally, during October 2022, the Company reported results from 16 drill holes from the Guadalupe East area. Seven of these holes are considered step-out, intersecting high-grade mineralization outside of the April 2020 pit-constrained resource shell. Drilling continues to identify multiple new high-grade mineralized intercepts along the Estaca Vein. Drilling is also defining new areas of mineralization inside the current boundaries of the April 2020 resource that were previously classified as waste. Drilling has been successful in delineating a cluster of high-grade mineralized Estaca vein splays in the main Guadalupe deposit, outside of the Estaca Vein. For example, holes 22GE-101 and 22GE-106 intersected multiple mineralized zones ranging from 2m to over 17m estimated true width in the hanging wall of the Estaca Vein. Highlighted intersections included 27.9 gpt Au and 509.0 gpt Ag over 2.3 m (2.2 m etw) in hole 22GE-101; 23.2 gpt Au and 2,550.0 gpt Ag over 1.5 m (0.6 m etw) and 6.08 gpt Au and 913.0 gpt Ag over 4.4 m (1.9 m etw) in 22GE-116; and 10.5 gpt Au and 284.0 gpt Ag over 1.8 m (1.8 m etw) in hole 22GE-106.

In November 2022, the Company reported results from seven drill holes in the Guadalupe East deposit. Drilling continues to encounter bonanza and high-grade intercepts at Guadalupe with additional remarkable gold and silver

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values being intercepted in the Estaca Vein. Additionally, outside of the main Estaca Vein, drilling is delineating a cluster of mineralized vein splays within the main Guadalupe deposit. It is anticipated that these results will further expand resources at Guadalupe. Highlight results from this drilling include 6.8 gpt Au and 166 gpt Ag over 19.5 m (18.3 m etw) in hole 22GE-118; 12.88 gpt Au and 646 gpt Ag over 3.3 m (1.1 m etw), and 4.2 gpt Au and 212 gpt Ag over 37.2 m (12.7 m etw) in hole 22GE-121; 8.88 gpt Au and 289 gpt Ag over 7.9 m (5.6 m etw), including 33.2 gpt Au and 1,072 gpt Ag over 2.0 m (1.4 m etw) in drill hole 22GE-122; and 6.8 gpt Au and 208 gpt Ag over 13.6 m (6.8 m etw) in hole 22GE-120.

Phase 2 drilling was completed on October 31, 2022. In total, 74,216 metres were drilled in 259 holes with zero lost-time injuries or material safety incidents.

The Phase 3 drill program commenced November 1, 2022.

**Exploration activities subsequent to December 31, 2022**

In January 2023, the Company reported results from 48 drill holes in the Z-T area where Prime continues to delineate and expand the multi-million-ounce Los Reyes high-grade gold-silver deposit. Significant intercepts from both infill and stepout drill holes show the expanse and continuity of mineralization in the Z-T area. The Z-T structure is currently defined over more than 400m of elevation as demonstrated by intercepts in 22SMW-08 at 760m above sea level and 22ZAP-78 at 320m above sea level. During follow-up drilling to 22ZAP-55R (released March 2022) the Company has now defined a significant area in the western down dip extension of Zapote North and South (for example, holes 22ZAP-75, 78 and 82-84), as well as at depth in Tahonitas and the connection with Zapote South (for example holes: 22TA-41, 51, 53, 54 and 22ZAP-87). 22ZAP-78 in Zapote North and 22TA-53 in Tahonitas show that these deposits are open at depth and along strike.

Highlights from the stepout intercepts include: 10. g/t Au and 131 g/t Ag over 3.1m (3.1m etw) including 28.5 g/t Au and 310 g/t Ag over 1.1m (1.1m etw) in hole 22TA-51; 4.7 g/t Au and 103 g/t Ag over 11.4m (8.7m etw) including 39.6 g/t Au and 174 g/t Ag over 0.9m (0.7m etw) in hole 22ZAP-87; 2.7 g/t Au and 451 g/t Ag over 6.3m (4.8m etw) including 4.8 g/t Au and 821 g/t Ag over 3.0m (2.3m etw) in hole 22TA-41; and 3.6 g/t Au and 20 g/t Ag over 16m (13.8m etw), including 22.2 g/t Au and 41 g/t Ag over 2.2m (1.9m etw) in hole 22ZAP-82.

Highlights from the infill drilling include: 4.2 g/t Au and 59 g/t Ag over 6.0m (5.4m etw), including 23.6 g/t Au and 103 g/t Ag over 0.9m (0.8m etw) in hole 22TA-43; and 6.9 g/t Au and 33 g/t Ag over 15.0m (14.8m etw), including 21 g/t Au and 55 g/t Ag over 1.5m (1.5m etw) in hole 22SMW-12.

In February 2023, the Company reported results from drilling located outside of the current resource areas, indicating significant exploration upside beyond the forthcoming Q2 2023 mineral resource update. These results are from drill holes targeting previously undrilled structures or mineralized structures with limited drilling. Highlights from the Fresnillo area include: 1.4 g/t Au, 18 g/t Ag over 19.3m (15.8m etw), including 4.7 g/t Au, 48 g/t Ag over 3.6m (2.9m etw) in hole 22FRE-09; and 1.3 g/t Au, 13 g/t Ag over 6.4m (5.5m etw), including 7.5 g/t Au, 53 g/t Ag over 0.95m (0.8m etw) in hole 22FRE-04. Highlights from the Orito area include: 1.0 g/t Au, 2.5 g/t Ag over 9.4m (4.7m etw), including 2.2 g/t Au, 4.4 g/t Ag over 3.0 m (1.5m etw) in hole 22OR-06; and 0.9 g/t Au, 17.5 g/t Ag over 4.2m (4.2m etw), including 2.3 g/t Au, 5.8 g/t Ag over 1.1 m (1.1m etw) in hole 22OR-01.



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**News releases with supporting technical data**

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

- *"Prime Announces Commencement of Phase 2 Drilling at Los Reyes"* dated November 17, 2021.
- *"Noche Buena Deposit Size Expanding at Los Reyes"* dated January 13, 2022.
- *"Drilling Intercepts 35 Metres of 4.9 gpt Gold Extending Los Reyes Z-T Structure 450 Metres"* dated February 17, 2022.
- *"Prime Reports First Results from Guadalupe West and Provides Progress Update at Guadalupe East"* dated February 24, 2022.
- *"Prime Drilling at Guadalupe East Shows Marginal Impact of Historical Mining on Potential Open Pit Resources"* dated March 8, 2022.
- *"Prime Expands Mineralization at Zapote South - 42.7 Metre Intercept of 2.38 gpt Gold and 43.4 gpt Silver 200 Metres Below Current Resource Pit"* dated March 29, 2022.
- *"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.
- *"Prime Extends Guadalupe at Depth and Along Strike with Multiple Thick High-Grade Gold-Silver Intercepts"* dated September 7, 2022.
- *"Prime Intercepts 2.36 gpt Au and 178 gpt Ag over 20.5 Metres in Step-out Drilling at Z-T"* dated October 11, 2022.
- *"Prime Drills Several Bonanza Grade Intercepts in Guadalupe including 27.9 gpt Au and 509 gpt Ag over 2.3 Metres"* dated October 24, 2022.
- *"Prime Drills Multiple Bonanza and High-Grade Intercepts at Guadalupe Including 33.2 gpt Au and 1,072 gpt Ag over 2.0 Metres"* dated November 28, 2022.
- *"Prime Drills Multiple Wide, High-Grade Intercepts in Z-T Area Including Bonanza-Grade Intervals"* dated January 11, 2023.
- *"Prime Mining Announces Discovery Holes In Several New Gold- And Silver-Bearing Areas"* dated February 27, 2023.

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**Expenditures**

Project expenditures during the year ended December 31, 2022, the eight months ended December 31, 2021, and the year ended April 30, 2021, are summarized as follows:

	Year ended December 31, 2022	Eight months ended December 31, 2021	Year ended April 30, 2021
Drilling	\$ 9,587,542	\$ 3,919,809	\$ 1,454,607
Salaries and personnel	3,461,425	1,644,108	1,275,543
Resource assaying, estimation and technical services	2,661,624	765,309	1,122,233
Equipment and field supplies	1,573,495	547,575	229,168
Land payments and maintenance	255,877	69,862	159,111
General and administrative	192,442	413,573	131,472
	\$ 17,732,405	\$ 7,360,236	\$ 4,372,134

**Review of expenditures for the year ended December 31, 2022 compared to the eight months ended December 31, 2021**

Drilling increased to \$9,587,542 compared to \$3,919,809 during the prior period. During the current year the Phase 2 exploration program was completed. This program was substantially larger than the Phase 1 exploration program. Phase 2 included 74,216 metres compared to Phase 1 which included 25,650 metres.

Salaries and personnel increased to \$3,461,425 compared to \$1,644,108 during the prior period. Additional employees and contractors were engaged to advance the Los Reyes Project. Moreover, bonuses were awarded relating to the completion of the Phase 2 exploration program.

Resource and estimation and technical services increased to \$2,661,624 compared to \$765,309 during the prior period. Due to the size of the Phase 2 program more technical advisory and laboratory expenditures were incurred. Additionally, more metallurgical testing was completed.

Equipment and field supplies increased to \$1,573,495 compared to \$547,575 during the prior period. The increase is due to increased employees and activities at the Los Reyes Project. Additionally, increased field supplies, such as core boxes, were required as a result of increased meters drilled.

General and administrative decreased to \$192,442 compared to \$413,573 during the prior period. The decrease is due to reduced management supporting the general and administrative function.

**Review of expenditures for the eight months ended December 31, 2021 compared to the year ended April 30, 2021**

Salaries and personnel increased to \$1,644,108 compared to \$1,275,543 during the year ended April 30, 2021. Additional employees and contractors were engaged to advance the Los Reyes Project. Moreover, bonuses were awarded relating to the completion of the Phase 1 exploration program.

Drilling increased to \$3,919,809 compared to \$1,454,607 during the prior year. During the eight months ended December 31, 2021, the Company completed the Phase 1 exploration program. Additionally, the Phase 2 drill program commenced during November 2021 and additional drill rigs were operating at the Project.

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Resource and estimation and technical services decreased to \$765,309 compared to \$1,122,233 during the prior year. Following the commencement of the drill program more technical advisory and laboratory expenditures were incurred.

Equipment and field supplies increased to \$547,575 compared to \$229,168 during the prior year. The increase is due to increased employees and activities at the Los Reyes Project.

General and administrative increased to \$413,573 compared to \$131,472 during the prior year. The increase is due to increased employees at the Project. Additionally, the Company incurred more human resource expenditures related to recruiting and onboarding new employees.

Project expenditures since acquisition, are summarized as follows:

	<b>Total</b>
Drilling	<b>\$ 14,961,958</b>
Salaries and personnel	<b>6,626,316</b>
Resource assaying, estimation, and technical services	<b>4,855,386</b>
Equipment and field supplies	<b>2,649,554</b>
Land payments and maintenance	<b>709,039</b>
General and administrative	<b>830,786</b>
	<b>\$ 30,633,039</b>

**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 6.8 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 380,300 ounces to 546,000 ounces, while inferred gold decreased by 7%, from 155,200 ounces to 144,000 ounces. Measured and Indicated silver increased by 100% from 6,315,300 ounces to 12,912,000 ounces and inferred silver increased by 50% from 3,639,000 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.

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### **Corporate**

#### **Directors**

During March 2022, the Company appointed Ms. Chantal Gosselin to the board of directors.

#### **Management**

During August 2022, the Company appointed:

- Mr. Scott Hicks as Executive Vice President;
- Mr. Andrew Bowering will continue as an executive advisor to the company and remains a member of the board of directors.

#### **Financing**

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.

#### **Stock option grants**

During March 2022, stock options were granted to purchase up to 400,000 common shares at a price of \$3.53 per share. The stock options granted have a five-year life and vest one-third at date of grant, one-third six months from the grant date and one-third 12 months from the grant date.

During August 2022, stock options were granted to purchase up to 875,000 common shares at a price of \$2.05 per share. The stock options granted have a five-year life and vest one-third six months from the date of grant, one-third 12 months from the grant date and one-third 18 months from the grant date.

During February 2023, stock options were granted to purchase up to 700,000 common shares at a price of \$1.97 per share. The stock options granted have a five-year life and vest one-third six months from the date of grant, one-third 12 months from the grant date and one-third 18 months from the grant date.

#### **Deferred share units**

During February 2023, deferred share units ("DSUs") were granted to purchase 307,838 common shares. The DSUs were granted to the board of directors and will vest after twelve months. Settlement will occur when a director resigns from the Board, or in connection with a change of control, and is payable in either cash or common shares at the discretion of the board of directors on the settlement date.

#### **Restricted share units**

During August 2022, restricted share units ("RSUs") were granted to acquire up to 400,000 common shares. The units vest in equal tranches on the first, second and third anniversary of the grant 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.

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### **Consulting agreement**

In September 2022, the Company renewed a services agreement between Trinity Advisors Corporation for a 2-year term expiring June 8, 2024. Pursuant to the agreement, the Company is required to pay a fee of \$112,500 every six months during the term of the agreement, with the first payment occurring on or before December 8, 2022. The fee will be entirely satisfied through the issuance of units (each, a "Unit") of the Company at a deemed price equivalent to the discounted market price on the TSX-V immediately prior to issuance. Each Unit will consist of one common share of the Company and one common share purchase warrant, with each warrant being exercisable for one common share of the Company for a period of three years at an exercise price equivalent to a 20% premium to the last closing price of the common shares of the Company immediately prior to the issuance of the Units, subject to such minimum pricing as may be permitted by the policies of the TSX-V. The Company issued 74,013 common shares with a fair value of \$139,144 and 74,013 warrants to satisfy the first payment due.

### **OUTLOOK**

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The Phase 2 drill program concluded on October 31, 2022 and achieved the upward revised target which exceeded 74,000 m. Phase 2 utilized up to eight core drills and one reverse circulation, the number of rigs was reduced during the rainy season. Drilling results have been good with an expected expansion of the mineral resource compared to the April 2020 historic resource estimate. Using drill data acquired prior to December 31, 2022, a new mineral resource estimate is planned for release during the first half of calendar 2023. Phase 3 drill program started on November 1, 2022 and continues throughout 2023 with a planned minimum 45,000 m in over 195 drill holes. There are now five core rigs at site.

#### **Phase 2 – Principal Objectives Achieved**

1. Expanded resources along the three main corridors of known open-pit mineralization, followed up on previously reported high-grade areas in Phase 1:
  - Guadalupe Structure – drilling targeted new areas of bonanza-grade mineralization, including significant step-out drill holes to the southeast;
  - Z-T Structure – drilling connected deposits and expanded higher-grade areas to depth; and,
  - Central Zone Structure – including San Miguel West, San Miguel East and Noche Buena, tested the individual deposits to expand them to collectively form larger pits as well as to assess the depth potential.
2. Completed 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 included priority targets Mina 20/21, Mariposa, Fresnillo, and the El Orito trends: and,
3. Resumed surface mapping and sampling:
  - Phase 2 prospecting, mapping, and sampling has led to the development of new targets that will be targeted in Phase 3.

The Company continues to analyze the drill results for Phase 2. A further summary of results and conclusions reached regarding Phase 2 is forthcoming.

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**Phase 3 – Planning and Principal Objectives**

Phase 3 commenced on November 1, 2022. The Company continues planning activities.

The Phase 3 core drill program has a planned minimum 45,000 m in over 195 drill holes. Phase 3 principal objectives are as follows:

1. Continue to expand gold-silver resources along the three main corridors of known open-pit mineralization, following up on previously reported high-grade areas from Phase 1 and 2:
  - o Guadalupe Structure – drilling will target new areas of bonanza-grade mineralization, including significant step-out drill holes to the southeast;
  - o Z-T Structure – will be drilled along strike and to expand higher-grade areas to depth; and,
  - o Central Zone Structure – 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:
  - o 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;
  - o Drill testing will include high priority targets Las Primas, Fresnillo, El Tule, Mariposa, Mina and others including the two parallel El Orito trends: and,
3. Continue surface mapping and sampling:
  - o Phase 1 and 2 prospecting, mapping, and sampling that led to the development of new targets will continue in Phase 3.

While the Company is fully funded for its planned 2023 activities, to achieve all of the objectives of the Phase 3 drill program, additional funds will need to be raised.

**ANNUAL AND QUARTERLY RESULTS****Annual results**

	<b>Year ended December 31, 2022</b>	Eight months ended December 31, 2021	Year ended April 30, 2021
Loss for the year	\$ (27,372,260)	\$ (14,297,342)	\$ (10,699,998)
Loss per share – basic and diluted	(0.24)	(0.13)	(0.13)
Total assets	<b>38,105,206</b>	41,785,376	44,791,540
Total non-current liabilities	<b>883,021</b>	1,098,326	918,618
Cash balance	<b>23,811,434</b>	27,413,707	32,026,806
Working capital	\$ <b>22,853,882</b>	\$ 26,232,817	\$ 31,369,510

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**Quarterly results**

	Three months ended			
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Loss for the period	\$ (6,378,755)	\$ (5,891,219)	\$ (7,063,916)	\$ (8,038,370)
Loss per share – basic and diluted	(0.06)	(0.05)	(0.06)	(0.07)
Total assets	38,105,206	23,648,743	28,552,940	35,954,314
Total non-current liabilities	883,021	901,420	864,379	1,096,245
Cash balance	23,811,434	9,344,844	14,441,284	21,535,820
Working capital	\$ 22,853,882	\$ 8,732,247	\$ 13,690,114	\$ 20,335,912

	Two months ended	Three months ended		
	December 31, 2021	October 31, 2021	July 31, 2021	April 30, 2021
Loss for the period	\$ (4,650,295)	\$ (5,600,423)	\$ (4,046,624)	\$ (3,324,739)
Loss per share – basic and diluted	(0.04)	(0.05)	(0.04)	(0.04)
Total assets	41,785,376	43,961,419	43,961,262	44,791,540
Total non-current liabilities	1,098,326	923,861	930,746	918,618
Cash balance	27,413,707	29,848,024	29,945,079	32,026,806
Working capital	\$ 26,232,817	\$ 29,581,634	\$ 29,582,724	\$ 31,369,510

**Review of Consolidated Financial Information for the three months ended December 31, 2022 compared to the two months ended December 31, 2021**

Loss for the Company was \$6,378,755 (\$0.06 per share) compared to \$4,650,295 (\$0.04 per share) during the two months ended December 31, 2021, as a result of the following factors:

**Corporate and administrative expense**

Corporate and administrative expenses decreased to \$1,929,743 compared to \$2,251,622 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 \$815,494 compared to \$765,670 during the prior year quarter, as a result of bonuses awarded to senior management. Additionally, there were adjustments to senior management salaries and additions to the senior management group.

Consulting and professional fees include legal, accounting, capital and strategic advisors. The current quarter and prior year quarter expenses are consistent, with an increase of \$79,693, as there has not been any substantial change in the services provided to the Company.

The significant non-cash component of these expenses includes share-based compensation, which was \$675,100 compared to \$1,290,232 during the prior year quarter. The decrease is a result of granting 1,275,000 share options at a weighted average grant-date fair value of \$1.72 compared to 2,910,000 share options at a weighted average grant-date fair value of \$2.63. Additionally, 400,000 restricted share units were granted in the current quarter.

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**Exploration and evaluation**

Exploration and evaluation expense was \$3,988,322 compared to \$2,540,714 (including related VAT) during the prior year quarter. The project was operating in a similar manner with the comparative period. Adjustment for months included in the comparable period leads to insignificant changes in period expenditures.

**Value added tax provision**

Value added tax provision increased to \$577,118 compared to \$279,521 as a result of including increased project expenditures and foreign exchange adjustments.

**Foreign exchange**

Foreign exchange represents changes in the value of monetary assets and liabilities denominated in foreign currencies. During the current quarter, the Company incurred unrealized foreign exchange gains related to the VAT receivable.

**Review of Consolidated Financial Information for the year ended December 31, 2022 compared to the eight months ended December 31, 2021**

Loss for the Company was \$27,372,260 (\$0.24 per share) compared to \$14,297,342 (\$0.13 per share) during the eight months ended December 31, 2021, as a result of the following factors:

**Corporate and administrative expense**

Corporate and administrative expenses increased to \$7,381,989 compared to \$6,253,384 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 increase to \$1,780,414 compared to \$1,297,244 during the prior period. During the current period, there were greater bonuses paid to senior management. Additionally, there were adjustments to senior management salaries and additions to the senior management group.

Consulting and professional fees include legal, accounting, capital and strategic advisors. The expense increased to \$554,727 compared to \$246,957 during the prior period. Additional consulting fees were incurred related to ESG and financial advisory services.

Investor relations expenses includes news releases, communications programs, and participation at conferences. The expense increased to \$384,554 compared to \$65,192 during the prior period. During the current year, activities increased significantly as a result of the re-opening following the COVID-19 global pandemic.

The significant non-cash component of these expenses includes share-based compensation, which was \$4,143,316 compared to \$4,381,511 during the prior year. Refer to the share-based compensation discussion above.

**Exploration and evaluation**

Exploration and evaluation expense was \$17,732,405 compared to \$7,360,236 during the prior period. The Company increased exploration activities at the Los Reyes Project. Refer to the *Highlights and Key Developments* section above.

**Depreciation**

Depreciation expense represents depreciation of equipment and the right-of-use asset associated with the Company's office lease. Depreciation expense was \$176,242 compared to \$154,183 during prior period. The increase is a result of additions to property and equipment of \$278,483 during the current period which were depreciated.



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### **Value added tax provision**

Value added tax provision increased to \$2,686,907 compared to \$944,076 as a result of including increased project expenditures and foreign exchange adjustments.

### **Foreign exchange**

Foreign exchange represents changes in the value of monetary assets and liabilities denominated in foreign currencies. During the current year, the Company incurred unrealized foreign exchange gains related to the VAT receivable.

### **Review of Consolidated Financial Information for the eight months ended December 31, 2021 compared to the year ended April 30, 2021**

Loss for the Company was \$14,297,342 (\$0.13 per share) compared to \$10,699,998 (\$0.13 per share) during the year ended April 30, 2021, as a result of the following factors:

#### **Corporate and administrative expense**

Corporate and administrative expenses increased to \$6,253,384 compared to \$5,959,628 during the prior year. The significant cash components of these expenses include salaries and personnel, consulting and professional fees and investor relations.

Salaries and personnel decrease to \$1,297,244 compared to \$1,431,087 during the prior year. During the current period, there were greater bonuses paid to senior management.

Consulting and professional fees include legal, accounting, capital and strategic advisors. The current period and prior year expenses are consistent, with a decrease of \$94,244, as there has not been any substantial change in the services provided to the Company.

Investor relations expenses includes news releases, communications programs, and participation at conferences. The expense decreased to \$65,192 compared to \$321,304 during the prior year. During the prior year, activities increased significantly following the rebranding of the Company and the acquisition of an option to acquire the Los Reyes Project.

The significant non-cash component of these expenses includes share-based compensation, which was \$4,381,511 compared to \$3,553,678 during the prior year. Refer to the share-based compensation discussion above.

#### **Exploration and evaluation**

Exploration and evaluation expense was \$7,360,236 compared to \$4,372,134 during the prior year. The Company increased exploration activities at the Los Reyes Project. Refer to the *Highlights and Key Developments* section above.

#### **Depreciation**

Depreciation expense represents depreciation of equipment and the right-of-use asset associated with the Company's office lease. Depreciation expense was \$154,183 compared to \$106,766 during prior year. The increase is a result of additions to property and equipment of \$583,641 during the current period which were depreciated.

#### **Value added tax provision**

Value added tax provision increased to \$944,076 compared to \$601,156 as a result of including increased project expenditures and foreign exchange adjustments.

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**Foreign exchange**

Foreign exchange represents changes in the value of monetary assets and liabilities denominated in foreign currencies. During the current period, the foreign exchange gain was the result of a depreciating Canadian dollar and increased US dollar holdings.

**Significant Quarterly Variations**

- 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 including related VAT.
- Quarter ended July 31, 2021 - The Company incurred exploration and evaluation expenditures of \$3,217,146 at the Los Reyes Project including related VAT.
- 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 including related VAT.
- 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 including related VAT.
- 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 including related VAT.
- 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 including related VAT.
- Quarter ended September 30, 2022 - The Company incurred additional salaries and personnel expense of \$334,154 related to normal operations. There was share-based compensation expense of \$1,039,497. Additionally, exploration and evaluation expenses of \$3,757,180 were incurred at the Los Reyes Project.
- Quarter ended December 31, 2022 - The Company incurred additional salaries and personnel expense of \$815,494 which included senior management bonuses. There was share-based compensation expense of \$675,100. Additionally, exploration and evaluation expenses of \$3,988,322 were incurred at the Los Reyes Project.

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**Cash flows**

	Year ended December 31, 2022		Eight months ended December 31, 2021		Year ended April 30, 2021
Cash used in operating activities	\$ (23,310,263)	\$	(9,064,763)	\$	(6,531,950)
Cash provided by financing activities	19,809,216		6,061,785		40,988,610
Cash used in investing activities	(101,226)		(1,610,121)		(3,450,674)
<b>(Decrease) increase in cash</b>	<b>(3,602,273)</b>		<b>(4,613,099)</b>		<b>31,005,986</b>
<b>Cash, beginning of period</b>	<b>27,413,707</b>		<b>32,026,806</b>		<b>1,020,820</b>
<b>Cash, end of period</b>	<b>\$ 23,811,434</b>	<b>\$</b>	<b>27,413,707</b>	<b>\$</b>	<b>32,026,806</b>

**Operating activities**

During the year ended December 31, 2022, salaries and personnel expenditures of \$1,780,414 were incurred by the Company which is a significant portion of the operating expenditures. There were office rent and administrative expenditures of \$518,978. Legal and accounting expenditures of \$554,727 were also incurred. Additional expenditures of \$17,732,405 were incurred relating to Los Reyes Project.

During the eight months ended December 31, 2021, salaries and personnel expenditures of \$1,297,244 were incurred by the Company which is a significant portion of the operating expenditures. There was office rent and administrative expenditures of \$262,480. Legal and accounting expenditures of \$246,957 were also incurred. Additional expenditures of \$7,360,236 were incurred relating to Los Reyes Project.

During the year ended April 30, 2021, salaries and personnel expenditures of \$1,431,087 were incurred by the Company which is a significant portion of the operating expenditures. There were office rent and administrative expenditures of \$312,358. Legal and accounting expenditures of \$341,201 were also incurred. Additional expenditures of \$4,372,134 were incurred relating to Los Reyes Project.

**Financing activities**

During the year ended December 31, 2022, the Company had the following significant financing activities:

- Completed a bought deal private placement resulting in net proceeds of \$19,438,003.
- Issued 227,500 common shares for gross proceeds of \$250,250 upon exercise of warrants.
- Issued 250,000 common shares for gross proceeds of \$100,000 upon exercise of options.

During the eight months ended December 31, 2021, the Company had the following significant financing activities:

- Issued 11,266,622 common shares for gross proceeds of \$6,113,311 upon exercise of warrants.
- Issued 265,000 common shares for gross proceeds of \$151,000 upon exercise of options.

During the year ended April 30, 2021, the Company had the following significant financing activities:

- Completed a private placement resulting in net proceeds of \$9,431,470.
- Completed a bought deal private placement resulting in net proceeds of \$26,767,705.
- Issued 8,665,951 common shares for gross proceeds of \$4,662,975 upon exercise of warrants.
- Issued 2,500,000 common shares for gross proceeds of \$1,010,000 upon exercise of options.
- Repaid the long-term loan of \$1,000,000 and interest and fees of \$164,678.

**Investing activities**

During the year ended December 31, 2022, the Company purchased new equipment totalling \$278,483.

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During the eight months ended December 31, 2021, the second and final option payment to Vista Gold of US\$1,000,000 was made by the Company. Additionally, the Company acquired more vehicles to support the Los Reyes project.

During year ended April 30, 2021, the Company completed the acquisition of the Los Reyes Project. As part of this transaction, the Company set up a long-term receivable for value added sales taxes that are recoverable from the Mexican government and a corresponding liability to refund part of those taxes to the vendor of the Los Reyes property. Additionally, as part of the Los Reyes Project transaction, the Company issued 330,000 common shares valued at \$465,000 which is recorded as a component of shareholders' equity. The first payment to Vista of US\$1,100,000 was completed during January 2021.

## **LIQUIDITY AND CAPITAL RESOURCES**

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

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

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

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

At December 31, 2022, the Company had working capital of \$22,853,882 including cash of \$23,811,434, compared to a working capital of \$26,232,817 at December 31, 2021. Accounts payable and accruals decreased to \$1,173,290 compared to \$1,325,936, at December 31, 2021, due to decreased activities at the Los Reyes Project during December 2022 and bonuses awarded to senior management prior to December 31, 2022. The long-term payable of \$756,596 requires payment when the value added tax receivable of \$840,662 is refunded.

At December 31, 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 \$195,532 through 2027.

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**RELATED PARTY TRANSACTIONS**

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

Key management compensation includes:

	<b>Year ended December 31, 2022</b>		<b>Eight months ended December 31, 2021</b>		<b>Year ended April 30, 2021</b>
Salaries, personnel and benefits	\$ 1,822,199	\$	1,338,608	\$	1,353,177
Directors fees	268,685		140,920		175,401
Consulting fees	55,993		-		-
Share-based compensation	2,302,574		2,611,445		3,268,843
	<b>\$ 4,449,451</b>	\$	<b>4,090,973</b>	\$	<b>4,797,421</b>

Trade payables and accruals include \$268,327 (December 31, 2021 - \$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.

**OUTSTANDING SHARE DATA**

At April 4, 2023, the Company had the following equity securities outstanding:

	<b>Authorized</b>	<b>Outstanding</b>
Equity securities – voting	Unlimited common shares	128,304,718 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 11,210,000 common shares
Restricted share units – convertible to voting common shares	Restricted share units to acquire up to 10% of the outstanding common shares less any common shares reserved for issuance under any other share-based compensation arrangements.	Restricted share units to acquire 400,000 common shares
Deferred share units – convertible to voting common shares	Deferred share units to acquire up to 10% of the outstanding common shares less any common shares reserved for issuance under any other share-based compensation arrangements.	Deferred share units to acquire 307,838 common shares
Warrants convertible to voting common shares		Warrants to acquire 37,249,638 common shares

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**SIGNIFICANT ACCOUNTING POLICIES**

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The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), effective as of December 31, 2022. The Company's significant accounting policies are described in note 3 of the Company's consolidated financial statements for the year ended December 31, 2022, the eight months ended December 31, 2021 and the year ended April 30, 2021.

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**CRITICAL ACCOUNTING ESTIMATES**

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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 Company's consolidated financial statements. Management has made the following critical accounting judgements and estimates:

**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 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.

**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

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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 of the Company's consolidated financial statements.

**VAT receivable**

The Company pays VAT on expenditures incurred in Mexico. Such VAT payments are considered to be refundable, however, it involves a complex application process, and the timing and success of collection is uncertain.

**CHANGES IN ACCOUNTING POLICIES**

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The accounting policies applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2022, the eight months ended December 31, 2021, and the year ended April 30, 2021, are consistent with those applied and disclosed in the Company's consolidated financial statements.

**FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

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The Company's financial instruments consist of cash, receivables, deposits, VAT receivables, trade payables and accruals, long-term 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 17 of the consolidated financial statements.

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**OFF-BALANCE SHEET ARRANGEMENTS**

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

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**PROPOSED TRANSACTIONS**

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At December 31, 2022, and the date hereof, the Company had no proposed transaction.

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**RISKS AND UNCERTAINTIES**

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The Company's business is the acquisition, exploration, and development of mining properties. As a result, the operations of the Company are speculative due to the high-risk nature of its business. The risk factors described below are not the only risks and uncertainties that the Company faces. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair its business. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

**Mineral Exploration**

The Company is engaged in mineral exploration and development activities which, by their nature, are speculative due to the high-risk nature of the Company's business and the present stage of its development. An investment in the Common Shares involves significant risks. In addition to information set out elsewhere, or incorporated by reference, in this MD&A investors should carefully consider the risk factors set out below. Such risk factors could materially affect the Company's future financial results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company, each of which could cause investors to lose part or all of their investment in the Common Shares.

**Liquidity Risk**

The Company has in the past and may in the future seek to acquire additional funding by the sale of common shares, the sale of assets or through the assumption of additional debt. Movements in the price of the common shares have been volatile in the past and may be volatile in the future. Approximately 17% of the Company's shares are held by an insider, 40% are held by institutions and 15% are held by management and directors.

**Additional Capital**

The Company does not have sufficient financial resources available to undertake other extensive development or exploration programs. Commercial development or further exploration will require substantial additional financing. There can be no assurance that needed financing will be available in a timely or economically advantageous manner, or at all. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development, or production on any or all of its properties and plants or even a loss of property interests, in which case, the Company's ability to operate would be adversely affected. To obtain substantial additional financing, the Company may have to sell additional securities including, but not limited to, its Common Shares or some form of convertible securities, the effect of which may result in substantial dilution of the present equity interests of the Company's shareholders.

**Dependence on Single Project**

The Los Reyes Project is currently the Company's sole project and therefore, any adverse development with respect to the Los Reyes Project will have a material adverse effect on the Company.



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### **Foreign Country Risk**

The Company's principal mineral project is located in Mexico. The Company is subject to certain risks as a result of conducting foreign operations, including, but not limited to: currency fluctuations; possible political or economic instability that may result in the impairment or loss of mineral titles or other mineral rights; opposition from environmental or other non-governmental organizations; government regulations relating to the mining industry; renegotiation, cancellation or forced modification of existing contracts; expropriation or nationalization of property; changes in laws or policies or increasing legal and regulatory requirements including those relating to taxation, royalties, imports, exports, duties, currency, or other claims by government entities, including retroactive claims and/or changes in the administration of laws, policies and practices; uncertain political and economic environments; war, terrorism, narco-terrorist actions or activities, sabotage and civil disturbances; delays in obtaining or the inability to obtain or maintain necessary governmental or similar permits or to operate in accordance with such permits or regulatory requirements; currency fluctuations; import and export regulations, including restrictions on the export of gold or other minerals; limitations on the repatriation of earnings; and increased financing costs. Any changes in regulations or shifts in political attitudes are beyond the control of the Company and may adversely affect its business. The introduction of new tax laws, regulations or rules, or changes to, or differing interpretation of, or application of, existing tax laws, regulations, or rules in any of the countries in which the Company currently conducts business or in the future may conduct business, could result in an increase in taxes, or other governmental charges, duties, or impositions. Although the Company believes that its exploration activities are currently carried out in accordance with all applicable rules and regulations, new rules and regulations may be enacted, and existing rules and regulations may be applied in a manner that could limit or curtail production or development of the Company's properties. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a material adverse effect on the Company's business, financial condition, and results of operations.

### **Commodity Prices**

The mineral exploration and development businesses can be impacted by commodity prices, general economic conditions, external trade agreements, competitor activities, political instability and many other factors beyond the Company's control.

### **No Known Mineral Reserves**

Although the Company has completed a mineral resource estimation at the Los Reyes Project, it has not identified any "mineral reserves". Only those mineral deposits that the Company can economically and legally extract or produce, based on a comprehensive evaluation of cost, grade, recovery, and other factors, are considered mineral reserves. The mineral resource estimate does not meet this standard, and no assurance can be given that any level of recovery of gold or other minerals from mineralized material will in fact be realized or that an identified mineralized deposit will ever qualify as a commercially mineable (or viable) reserve. Substantial additional work, including mine design and mining schedules, metallurgical flow sheets and process plant designs, would be required to determine if any economic deposits exist on the Los Reyes Project. Substantial expenditures would be required to establish mineral reserves through drilling and metallurgical and other testing techniques. The costs, timing, and complexities of upgrading the mineralized material at the Los Reyes Project to proven or probable mineral reserves may be greater than the Company anticipates and may not be undertaken prior to development, if at all. Failure to discover economically recoverable reserves on a mineral property will require the Company to write-off the costs capitalized for that property in its financial statements. No assurance can be given that any level of recovery of any mineral resources will be realized or that any identified mineral deposit will ever qualify as a commercially mineable ore body that can be legally and economically exploited.

### **Risk of Global Outbreaks of Contagious Diseases**

Risk of global outbreaks of contagious diseases, including the outbreak of a novel coronavirus have the potential to impact the Company's operations and business significantly and adversely. On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic. The Company is continuously evaluating the uncertainty

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and impact of the outbreak on the Company and its ability to operate due to employee absences, the length of travel and quarantine restrictions imposed by governments of affected countries, disruption in the Company's supply chains, information technology constraints, government interventions, market volatility, overall economic uncertainty and other factors currently unknown and not anticipated.

There can be no certainty that COVID-19, or other infectious illness, and the restrictive measures implemented to slow the spread of the virus will not materially impact the Company's operations or personnel in the coming weeks and months. 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, results of operations or ability to raise funds currently.

### **Current Global Financial Condition**

Market events and conditions, including the disruptions in the international credit markets and other financial systems, along with political instability and falling oil and currency prices expressed in United States dollars have resulted in commodity prices remaining volatile. These conditions have also caused a loss of confidence in global credit markets, resulting in a climate of greater volatility, tighter regulations, less liquidity, widening credit spreads, less price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks and investment banks, insurers and other financial institutions have caused the broader credit markets to be volatile and interest rates to remain at historical lows. These events are illustrative of the effect that events beyond the Company's control may have on commodity prices; demand for metals, including gold; availability of credit; investor confidence; and general financial market liquidity, all of which may affect the Company's business.

### **Russo-Ukrainian War**

The continued escalation of the Russo-Ukrainian War has resulted in significant volatility in commodity prices and global markets and an increased risk of cybersecurity and information technology attacks. The ongoing war has caused foreign governments, including Canada and the United States, to impose economic sanctions on Russia. While the Company does not operate in Russia and its operational activities are not currently impacted by sanctions, continued volatility could impact the Company's ability to obtain necessary financing and market liquidity. Expansion of the war outside of the Ukraine may adversely impact global markets and commodity prices as well as the ability of the Company to secure the necessary employees and resources to sustain planned operations.

### **History of Losses**

The Company has incurred losses since its inception and will continue to incur losses in the future until and unless the Company can derive sufficient revenues from its projects. Such future losses could have an adverse effect on the market price of the Common Shares, which could cause investors to lose part or all their investment in the Common Shares.

### **Title Risks**

While the Company has registered its mining claims and properties with the appropriate authorities and filed all pertinent information and paid all applicable fees, this cannot be construed as a guarantee of title and title to the Company's resource and other properties may be disputed or may be affected by undetected defects.

### **Foreign Subsidiaries**

The Company conducts certain of its operations through foreign subsidiaries and some of its assets are held in such entities. Any limitation on the transfer of cash or other assets between the Company and such entities, or among such entities, could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's valuation and stock price.

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**Mine Development Risks**

The business of mineral exploration and extraction involves a high degree of geological, technical and economic uncertainty because of the difficulty of locating a viable mineral deposit, the costs and other risks involved in bringing a deposit into production and the uncertainty of future mineral prices.

**Uninsurable Risks**

The Company is subject to a number of risks and hazards and no assurance can be given that insurance to cover the risks to which its activities are subject will be available at all or at commercially reasonable premiums. The Company currently maintains insurance within ranges of coverage which it believes to be consistent with industry practice for companies of a similar stage of development.

**Reliance on Management and Experts**

Development depends on the efforts of key members of management and employees. Loss of any of these people could have a material adverse effect. The Company does not have key person insurance with respect to any of its key employees.

**Competition**

Significant and increasing competition exists for mineral deposits in each of the jurisdictions in which the Company conducts operations. As a result of this competition, much of which is with large established mining companies with substantially greater financial and technical resources than the Company has, it may be unable to acquire additional attractive mining claims or financing on terms it considers acceptable. The Company also competes with other mining and mineral processing and refining companies in the recruitment and retention of qualified employees. Consequently, the Company's revenues, operations and financial condition could be materially adversely affected.

**Conflicts of Interest**

Certain of the Company's directors, officers and other members of management do, and may in the future, serve as directors, officers, promoters and members of management of other mineral exploration and development companies and, therefore, it is possible that a conflict may arise between their duties as a director, officer, promoter or member of the Company's management team and their duties as a director, officer, promoter or member of management of such other companies. The Company's directors and officers are aware of the laws establishing the fiduciary duties of directors and officers including the requirement that directors disclose conflicts of interest and abstain from voting on any matter where there is a conflict of interest. The Company will rely upon these laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers.

**Environmental Risks and Hazards**

All phases of the Company's operations are subject to extensive environmental regulations. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation, provide for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry activities and operations. They also set forth limitations on the generation, transportation, storage and disposal of hazardous waste. A breach of these regulations may result in the imposition of fines and penalties. In addition, certain types of mining operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the viability or profitability of operations. Environmental hazards may exist on the properties in which the Company holds its interests or on properties that will be acquired which are unknown to the Company at present and which have been caused by previous or existing owners or operators of those properties.

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### **Infrastructure**

Exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources, and water supply are important determinants for capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploration of the Los Reyes Project. If adequate infrastructure is not available in a timely manner, there can be no assurance that the further exploration of the Los Reyes Project will be completed on a timely basis, if at all. In addition, unusual weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's exploration and development activities.

### **Climate Conditions**

Climate change is a global challenge that may affect the business of the Company in a range of possible ways. Mining and processing operations are energy intensive, resulting in a carbon footprint either directly or through the purchase of fossil-fuel based electricity. As a result, the Company is impacted by current and emerging policy and regulation relating to GHG emission levels, energy efficiency and reporting of climate-change related risks. While some of the costs associated with reducing emissions may be offset by increased energy efficiency and technological innovation, the current regulatory trend may result in additional costs.

In addition, the physical risks of climate change may also have an adverse effect including increased incidence of extreme weather events, resource shortages, changes in rainfall and storm patterns and intensities, water shortages, changing sea levels and changing temperatures. Associated with these physical risks is an increasing risk of climate-related litigation (including class actions) and the associated costs. Stakeholders are seeking enhanced disclosure on the material risks, opportunities, financial impacts and governance processes related to climate change. Adverse publicity or climate-related litigation could have an adverse effect on the Company's reputation or financial condition.

### **Water Supply Management and Availability**

The Company acknowledges the right to clean, safe water and recognizes that access to a reliable water supply is critical to the hygiene, livelihood and environmental health of our communities. Water is a critical input to mining operations, and the increasing pressure on water resources in the area of operations requires the Company to consider current and future conditions in its management of water resources. The Company operates in a region where seasonal water abundance and scarcity is an inherent risk and where rainfall can vary greatly from year to year.

Operations may face challenges related to seasonally abundant and limited supply, increased demand, and impacted water in various forms. Water shortages may result from environmental and climate events that are out of the Company's control and ability to manage. For example, excessive seasonal rainfall or flooding may also result in operational difficulties, including geotechnical instability and additional water management requirements. The inability to secure water rights, or shortages of water to which the Company has established rights, could impact future operations or exploration. In addition, laws and regulations may be introduced in the jurisdictions in which the Company operates which could limit access to sufficient water resources.

### **Community Relations**

The Company's relationships with the communities in which it operates, and other stakeholders are critical to ensuring the future success of the construction and development of its projects. In contrast to the many positive attributes of and impacts of mining on local communities, there is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Publicity adverse to the Company, its operations, or extractive industries generally, could have an adverse effect on the Company and may impact relationships with the communities in which the Company operates and other stakeholders. While the Company is committed to operating in a socially responsible manner, there can be no assurance that its efforts in this respect will mitigate this potential risk. Further, damage to the Company's reputation

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can be the result of the perceived or actual occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regard to the Company and its activities, whether true or not. While the Company strives to uphold and maintain a positive image and reputation, the Company does not ultimately have control over how it is perceived by others. Reputation loss may lead to increased challenges in developing, maintaining community relations and advancing its projects and decreased investor confidence, all of which may have a material adverse impact on the financial performance and growth of the Company.

**Information Technology**

The Company is reliant on the continuous and uninterrupted operations of its information technology ("IT") systems. User access and security of all IT systems are critical elements to the operations of the Company. The Company's operations depend, in part, on how well the Company and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any IT failure pertaining to availability, access or system security could result in disruption for personnel and could adversely affect the reputation, operations or financial performance of the Company.

The Company's IT systems could be compromised by unauthorized parties attempting to extract business sensitive, confidential or personal information, corrupting information or disrupting business processes or by inadvertent or intentional actions by the Company's employees or vendors. A cyber security incident resulting in a security breach or failure to identify a security threat, could disrupt business and could result in the loss of business sensitive, confidential or personal information or other assets, as well as litigation, regulatory enforcement, violation of privacy and security laws and regulations and remediation costs.

Although to date the Company has not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that it will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

**Litigation Risk**

All industries, including the mining industry, are subject to legal claims, with and without merit. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation and dispute resolution process, the litigation process could take away from management time and efforts and the resolution of any particular legal proceeding to which the Company may become subject could have a material adverse effect on the Company's financial position, results of operations or the Company property development.

**Shareholder Activism**

Publicly traded companies are often subject to demands or publicity campaigns from activist shareholders advocating for changes to corporate governance practices, such as executive compensation practices, social issues, or for certain corporate actions or reorganizations. There can be no assurance that the Company will not be subject to any such campaign, including proxy contests, media campaigns, or other activities. Responding to challenges from

**PRIME MINING CORP.**

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For the year ended December 31, 2022, the eight months ended December 31, 2021

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(In Canadian dollars, except where noted)

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activist shareholders can be costly and time consuming and may have an adverse effect on the Company's reputation. In addition, responding to such campaigns would likely divert the attention and resources of the Company's management, which could have an adverse effect on the Company's business and results of operations. Even if the Company were to undertake changes or actions in response to activism, activist shareholders may continue to promote or attempt to effect further changes and may attempt to acquire control of the Company. If shareholder activists are ultimately elected to the board of directors of the Company, this could adversely affect the Company's business and future operations. This type of activism can also create uncertainty about the Company's future strategic direction, resulting in loss of future business opportunities, which could adversely affect the Company's business, future operations, profitability, and the Company's ability to attract and retain qualified personnel.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

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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.

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**QUALIFIED PERSON**

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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.